

FINANCIAL TIMES

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السنة الثالثة والعشرون
عدد 29930

The lessons to be learned from Chernobyl, Page 18

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| Amst. 200.00 | Brussels 185.00 | London 200.00 | Paris 200.00 |
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| Shanghai 185.00 | Beijing 185.00 | Tientsin 185.00 | Shanghai 185.00 |

World news

Chemical weapons debate adjourned

Nato ambassadors adjourned in Brussels without finally adopting a controversial recommendation that the US produce new chemical weapons.

A Nato spokesman said he was only authorised to state that the discussion would continue.

Other sources said the meeting would resume today and the US plan was almost certain to be adopted, with Denmark, Norway and the Netherlands putting their reservations on the record.

New governor

Bank of Portugal's new governor is Mr Carlos Alberto Tavares Moreira. He replaces Mr Victor Constantino who resigned recently to campaign for the leadership of the Socialist Party.

Sudanese Cabinet

Prime Minister Sadeq al-Mahdi announced a broad-based Government in which he took the key defence portfolio and gave parties from war-torn southern Sudan four ministries. Editorial comment, Page 18.

Anti-Bhutto move

Pakistan Government is taking controversial steps to strengthen its base in Parliament so that it can effectively resist calls for early general elections, issued in the past months by Miss Benazir Bhutto. Page 5.

Soviet offer

Soviet Union introduced a draft treaty limiting intermediate-range nuclear missiles at the Geneva arms talks, but at first sight it appeared to contain little new, said the White House. Page 4.

Seeking asylum

Eden Pastora, former leader of Nicaragua's government-led Sandinista forces who turned rebel, is expected to turn his troops over to the International Red Cross and seek asylum in Costa Rica.

Finnish warning

Finland's Government warned 42,000 state employees that it could use legislation to end their six-week-old strike.

Botha defiant

President P. W. Botha, faced with continuing rioting in South Africa's black townships, said his Government was determined to maintain order and had plenty of power in reserve to do so. Page 4.

Riot students die

Three students died and 18 policemen were injured in rioting at one of Jordan's three universities, in Irbid. Officials said it began over engineering tuition fees.

Colombo alert

Sri Lanka's top security official warned that more bombings by Tamil separatists could be expected in Colombo and announced emergency anti-guerrilla measures.

New lira bill

Italian Cabinet will discuss a draft bill to introduce a new currency worth 1,000 times the present lira.

Arms sales shift

Britain and Italy dramatically increased arms sales to Third World countries in 1985 while the Soviet Union and France showed significant declines, according to a US congressional study.

Reef reinforced

Qatar, locked in a territorial dispute with Bahrain, has reinforced the disputed Gulf reef of Fasbt ad-Dibal with heavy artillery and rocket launchers, Bahrain newspapers reported.

Business summary

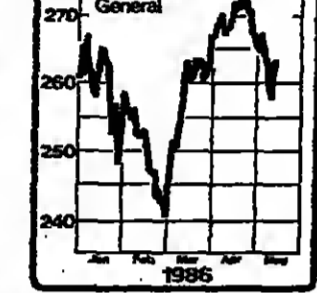
Morgan Grenfell to seek listing

MORGAN GRENFELL, one of Britain's largest and most successful merchant banks, is to seek a listing for its shares on the London Stock Exchange. Shareholders include Willis Faber (23 per cent) and Deutsche Bank. Page 20.

WALL STREET: The Dow Jones industrial average closed 33.8 down at 1,774.68. Page 42.

AMSTERDAM

AMSTERDAM bourse was buoyed by better-than-expected results from Royal Dutch/Shell. The ANP-CBS General index firmed 5.4 to 263.3. Page 42.



STOCKS slipped as uncertainty over the yen's outlook remained. The Nikkei average eased 19.06 to 15,924.08. Page 42.

LONDON: Prices wilted as the market digested NatWest's cash call of the previous session. Gilt yields were lower. The FT Ordinary share index fell 17.4 to 1,302.6 while the FT-SE 100 lost 18.9 to 1,575.7. Page 42.

DOLLAR rose in London to DM 2.1985 (DM 2.1850); SF 1.8260 (SF 1.8175); FF 7.01 (FF 6.9075) and Y64.60 (Y63.38). On Bank of England figures the dollar's exchange rate index rose from 113.7 to 113.8. Page 35.

STERLING fell in London to close at \$1.8561 (down \$0.0005). It rose to DM 3.3757 (DM 3.3850); SF 2.8050 (SF 2.7975) and FF 10.78 (FF 10.7775). The pound's exchange rate index rose to 78.1 (78.0). Page 35.

GOLD fell \$0.50 on the London bullion market to close at \$342.25. It also fell in Zurich to \$342.05 (\$342.30). In New York the June Comex settlement was \$343.40. Page 34.

CANADA: The Bank of Montreal led \$1.8501 (down \$0.0005). It rose to DM 3.3757 (DM 3.3850); SF 2.8050 (SF 2.7975) and FF 10.78 (FF 10.7775). The pound's exchange rate index rose to 78.1 (78.0). Page 35.

US PRESIDENT Ronald Reagan imposed quotas on EEC agricultural imports in retaliation for restrictions on US farm exports to Spain and Portugal. Page 20.

CREDIT LYONNAIS, second-largest French bank, is planning a FF 2.5bn (\$356m) sale of non-voting shares to bolster its capital resources. Page 21.

CATHAY PACIFIC shares traded heavily on their first day, accounting for more than half the trading volume on the Hong Kong Stock Exchange. They closed at HK\$3.20 (US 66 cents). Page 25.

BMW, West German car and motorcycle maker, expects static sales and earnings this year because of sharpening competition in its home market. Sales in the first four months rose 2.5 per cent to DM 5.3bn (\$2.43bn). Page 21.

FIRESTONE Tire and Rubber of the US, after taking over direct control of its Spanish affiliate, hopes to bring its operations in Spain out of the red this year, according to Mr Jerome Nunn, chief executive of Firestone Hispania.

PERKIN-ELMER, US high-technology group, posted a 14 per cent decline in fiscal third-quarter net earnings citing, in part, losses at Concentric Computer, the super-mini-computer group which was spun off as a separate company late last year. Page 21.

Paris eases curbs on capital flows, exchange controls

BY DAVID HOUSEGO IN PARIS

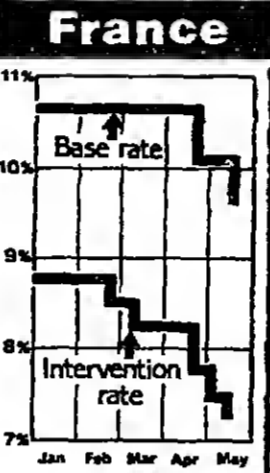
FRANCE yesterday took a significant step towards conforming with EEC policies on the freeing of capital movements within Europe by announcing that French citizens will again be allowed to purchase stocks and private properties abroad.

The liberalisation of capital transfers, together with a further easing of foreign exchange controls to allow French companies to cover themselves against foreign exchange risks, were among the main measures in a far-reaching economic package announced by Mr Edouard Balladur, the Finance Minister.

The package is aimed at convincing the business and financial community that the Government is reversing the traditional centrally administered French economy in which credit, price and foreign exchange controls have long played a key part. It also hopes to provide a favourable climate for investment and job creation.

Other moves include discarding, from next January 1, France's centralised system of credit allocation. In future, the Bank of France will determine the availability of credit through its influence on interest rates during open market trading operations.

In addition, new money market instruments will be available to corporate treasurers and further steps towards deregulating the financial



markets will be taken, including encouraging banks to compete in fixing deposit rates.

Mr Balladur announced that the FF 50bn (\$7.1bn) rise in France's foreign exchange reserves since the March devaluation of the franc would enable the Government to prepay a further \$1.8bn of the EEC loan France contracted in 1983, in addition to the prepayment made last month.

He confirmed a 1.5 percentage point cut to 4.5 per cent in interest payable on popular tax-free savings

accounts as part of a widespread lowering of French interest rates. These include a 0.50 per cent point reduction in banks' base lending rates to 8.60 per cent.

But the Government reduced by a smaller margin interest rates on subsidised loans to industry and local authorities - thus aligning them closer to market rates and cutting the cost of interest subsidies to the budget by several billion francs in a full year.

Ministry of Finance officials warned that the scope for further cuts in domestic interest rates was now limited as the cost of administering France's costly system of chequeing accounts imposed a basic charge on banks of about 7 per cent of what they raise in deposits.

Bankers yesterday were quick to point out that the measures still left in force a substantial battery of exchange controls - including restrictions on lending by banks to non-residents, ceilings on investment abroad by companies and curbs on Frenchman opening foreign bank accounts or purchasing unlisted securities abroad.

It was also pointed out that the further development of the financial markets and the ending of credit allocation reinforces reforms already begun by the Socialists.

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Details, Page 24

BCal calls for early loss of more than 1,000 jobs

BY LYNTON McCLAIN AND LIONEL BARBER IN LONDON

BRITISH Caledonian Airways, the second largest UK intercontinental airline, yesterday called for more than 1,000 staff to go "as soon as possible".

The substantial job losses amount to almost 13 per cent of the airline's 7,780 staff. Aircraft capacity on long-haul routes is to be cut by 7 per cent and four UK regional sales offices are to close.

Without the cuts, the airline would be heading for a substantial loss this year after record £21.7m (\$33m) in the year to October 1985.

BCal hopes staff will take voluntary severance and early retirement, at a cost of about £7m. The airline has set June 10 as the deadline for staff to take the offer.

The measures were "pre-emptive moves in the face of the severe economic downturn which the airline's directors see emerging this summer," Mr David Colman, the BCal managing director said yesterday. The immediate aim is to save £30m

a year. "If the economy measures work, we will end the year with a strong balance sheet and continuing profitability in a bad year," he said.

The airline has already been hit by a 10 per cent fall in passenger bookings this year. The worst affected area is the north Atlantic, where bookings are 40 per cent down compared with last year.

BCal services over the Atlantic are to be cut from 35 flights to 33 flights a week. Services to the Middle East, mainly Saudi Arabia, are to be cut by one a week to 13 flights.

Mr Colman said there was no connection between yesterday's proposed job cuts and the talks being held with International Leisure, the Interair holidays and Air Europe charter airline group.

The talks centre on a possible operational merger of the two companies' airline fleets, according to several executives close to the talks.

Both BCal and International Lei-

sure are due to take delivery of a large number of new airliners, starting in 1986. BCal has placed firm orders to buy seven A320 Airbus airliners worth £180m to £170m. Air Europe is to buy four new Boeing 737-300 aircraft for about £85m.

One option under discussion is to form a joint venture to help fill seats on the aircraft. Some BCal executives argue that an operational merger could make sense.

Senior BCal executives said yesterday there was no question of a full-scale financial merger with International Leisure, chaired by Mr Harry Goodman. BCal said its own net worth was between £30m and £150m, including aircraft sales, whereas International Leisure's market capitalisation was only £34m.

The BCal service to Libya was suspended after the US bombing of the country last month. Within 15

Murdoch plans novel \$200m issue

BY CLARE PEARSON IN LONDON

NEWS CORPORATION, the Australian master company of Mr Rupert Murdoch's worldwide newspaper and broadcasting group, yesterday announced plans for a novel \$200m Euro-market issue that will both strengthen its equity base and dispose of a high proportion of much of its holding in Reuters, the UK information and news agency group.

The issue, lead-managed by Credit Suisse First Boston, offers investors 200,000 preference shares exchangeable into 'F' ordinary shares of Reuters Holdings after 90 days.

News Corporation said the issue would be used, in part, to replace existing high-cost preferred shares, and added that the \$200m proceeds were almost three times the \$68m valuation on the group's 9.5 per cent holding of Reuters' 'B' shares when the group went public in June 1984.

News Corporation's 9.5 per cent holding of Reuters' 'A' shares will not be affected by the issue.

Employment in UK falls and output declines

BY GEORGE GRAHAM IN LONDON

UNEMPLOYMENT in the UK continued to climb last month, and hopes of a reversal to its rise were dashed by the announcement of a fall in manufacturing output.

Adult unemployment rose by only 3,000 to 3.2m after seasonal adjustments, much less than the previous month's sharp 38,000 increase, but the Department of Employment said yesterday that the past few months clearly indicated an upward trend.

Additional figures published yesterday by the Department of Employment showed that British labour costs per unit of output were rising faster than those of other major industrial nations. Manufacturing output in the first quarter fell by 1 per cent from the previous quarter, leaving companies to bear the full impact of wages rising at an underlying rate of 7 1/2 per cent a year without any offsetting productivity gains.

Labour costs per unit of output in March stood 8.3 per cent higher than a year earlier, whereas West German and Japanese unit labour costs are hardly increasing.

The figures contributed to a further decline in the London stock market, already witting under the weight of National Westminster Bank's massive rights issue, announced the previous day. Some stockbrokers revised their company profit forecasts downwards, and the FT Ordinary share index fell back 17.4 to end at 1,302.6.

Today's announcement of the April retail price index is expected to show a further substantial fall in inflation to less than 3 1/2 per cent a year, but the rising trend of unemployment and the worrying level of increase in unit labour costs helped to moderate the market's enthusiasm.

Some analysts have been predicting a half percentage point cut in bank base rates today, but although money market interest rates are already below the current 10.5 per cent base rate, more caution was felt yesterday over whether the Government would encourage a further cut.

Mr Nigel Lawson, the Chancellor of the Exchequer, said in the House of Commons yesterday that interest rates should be brought down "as much and as soon as it is prudent to do so", but he pointed out that there had already been a 2 percentage point reduction in rates since the budget in March, and that families were benefiting from cuts in the mortgage (home loan) rate worth an average of £3.60 (£5.52) a week. In Whitehall, officials warned that the UK's high level of real interest rates was partly a conse-

quence of the rapid growth in its unit labour costs, which was also contributing to the UK's poor unemployment record.

Overall UK employment, without seasonal adjustments and including school-leavers, rose last month by 1,000 to 1.33m. A 27,000 fall in the unadjusted level of adult unemployment was cancelled out by the addition, a month earlier than last year, of 28,000 Easter school-leavers.

Seasonally adjusted, the level of male unemployment fell by 4,000 last month while female unemployment increased by 7,000. Overall, adult unemployment has been rising by around 14,000 a month over the past six months, following a period during which it appeared to have flattened.

Recent changes in the way the Government measures unemployment have reduced the "headline total" by around 50,000. The Unemployment Unit, a research and pressure group, says that the cumulative effect of this and other alterations to the unemployment statistics is to reduce the published figure by 463,000.

The number of employees in employment in manufacturing industries fell by 3,000 in March to 5,39m, continuing the downward trend in employment in this sector since 1980.

Average earnings rose in the month by 8.6 per cent, but the Department of Employment said the underlying rate of increase continued at 7 1/2 per cent a year. The March figure was higher mainly because of a large amount of backpay paid to teachers after the settlement of their dispute.

Lord Young, the Employment Secretary, said yesterday: "The trend of unemployment is still upwards. The best hope of a lasting improvement on the jobs front is a much more widespread realisation that pay is a crucial component of production costs."

But Mr John Edmonds, general secretary of the General Municipal, Boilermakers and Allied Trades Union said: "It is a national disgrace that such appalling figures are totally ignored by the Government. The unemployment level has nearly tripled in the six years since Mrs Thatcher became Prime Minister."

Sterling remained steady on the foreign exchanges, closing nearly half a cent lower against the dollar at \$1.8535 and 1 pfennig higher against the D-Mark at 3.375. The Bank of England's exchange rate index rose 0.1 to 76.1.

Continued on Page 20
Details, Page 6

Chernobyl death toll likely to rise, says US doctor

By Patrick Cockburn in Moscow

SERIOUS radiation injuries caused by the Chernobyl nuclear reactor disaster have already caused seven deaths and further fatalities are unavoidable, a US bone marrow specialist helping to treat the victims warned in Moscow yesterday.

Dr Robert Gale, who works for the University of California, told a press conference that the seven had been among 35 people who were seriously irradiated as a result of the accident. Bone marrow transplants have been carried out on 19 patients by American and Soviet doctors.

Another two men were killed in the first explosion at Chernobyl on 26 April and 289 people are in hospital in Moscow suffering from the effects of radiation.

Dr Gale said the difficulty experienced in treating only 300 radiation casualties "demonstrates our limited ability to respond to a nuclear accident." The types of radiation injuries suffered at Chernobyl are diverse. Some of those now in hospital inhaled radioactive gases with a very short life which are now impossible to identify.

Almost everybody affected by the reactor at Chernobyl seems to have suffered their injuries on 26 April. Dr Andrei Voronov, who led the Soviet team treating casualties, said that "Breman were among those who suffered worst" but they knew "what kind of fire they were dealing with." People in charge of the power station also suffered heavy doses of radiation. Dr Gale added that medical doctors and firemen knowingly exposed themselves to considerable risks.

Dr Gale, who arrived in Moscow on May through the agency of Dr Armand Hammer, the head of Occidental Petroleum Corporation, said there was very little chance of anybody outside the immediate area of the power plant suffering from acute radiation sickness. He said he has asked the Soviet authorities to be allowed to visit the Chernobyl area in company with Soviet doctors.

Dr Voronov also said it was very unlikely that people over a wide area around Chernobyl would have received serious injuries. He said there had been thorough tests on people living in the settlement of Pripyat, close by the plant. Examinations of their clothes and thyroid glands showed that the maximum radiation dose was 50 rad. "Less than half that which causes disease."

Asked about a woman and her son in Gomel, a city in Byelorussia

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Drivers Jonas expand in Scotland

150 West George Street Glasgow G2 2HG

Contact: Derek Anderson

DRIVERS JONAS

Chartered Surveyors & Planning Consultants
Telephone: 041-332 5606
and at 10 Albryn Terrace, Aberdeen

EUROPEAN NEWS

Four countries on verge of helicopter deal

BY JAMES BUXTON IN ROME

BRITAIN, Italy, the Netherlands and Spain are expected to sign an agreement shortly on the development of a light attack helicopter to be called Tonal, based on the Italian Agusta MongOOSE.

The intention is to develop a helicopter available in three versions: Scout, anti-tank, and air-to-air attack. Agusta believes that Britain might be interested in buying 300 aircraft of different versions and the Netherlands 60.

ment lapsed when the bid for a stake in Westland by the European consortium — which included Agusta and French and West German aerospace companies — was rejected.

Pressure forces Finns to devalue markka 2%

BY OLLI VIRTANEN IN HELSINKI

BANK OF FINLAND yesterday devalued the markka by 2 per cent within the central bank's own "currency snake".

Bank of Finland tried to squish rumours of a pending devaluation by raising the call money rate on two successive days — a total of 4.8 per cent to 18 per cent.

rate follows weeks of growing pressure from most political parties, industry and labour unions.

Fate of Franco-German project hangs in balance

BY PETER BRUCE IN BONN

WEST GERMANY and France may be about to abandon efforts to build an anti-tank and combat helicopter for deployment in the 1990s.

directors have a final meeting as soon as possible to try to agree on specifications for a basic helicopter.

metal structure alone had delayed the project by two years. The primary cause of friction, however, lies in the fact that the two governments were never able to agree on the production of one helicopter.

The night-eight debate still rages, it is understood. The Bundestag defence and budget committees in Bonn are growing increasingly wary of approving any more money for the PAH-2.

Libyan expelled by Italy

By James Buxton in Rome

ITALY'S Ministry of the Interior has asked a Libyan businessman to leave the country, after refusing to grant him an extension of his temporary resident's permit.

Oslo Labour Government gains qualified support

BY FAY GJESTER IN OSLO

A DEBATE in Norway's Storting (Parliament) yesterday indicated that the new minority Labour government is succeeding in its bid to win support from the two junior partners in the recently defeated

the Progress Party was "so totally different" from Centre in its political philosophy, that it was out of the question to rely on support from that quarter.

New hands take the helm in Yugoslavia

BY ALEKSANDAR LEBL IN BELGRADE

YUGOSLAVIA TODAY gets a new Prime Minister, Mr Branko Mikulic, a Croat from the republic of Bosnia, and a new state President, Mr Sinan Hasani, an ethnic Albanian.

been one of Mrs Planinc's three vice premiers. The only significant additions are Mr Milos Milosavljevic from Serbia, who will be the other vice premier, the third vice premiership having been abolished, and Mr Tozar Rikanovic, a former banker and also from Serbia, who will be finance minister.

arrangements. The IMF's future role will be the indirect one of "enhanced monitoring" as a guarantee for Yugoslavia's official and commercial creditors which have agreed to reschedule debt repayments until 1988.

tion was that the IMF laissez-faire approach to inflation — regarding it as a symptom, not a root cause, of Yugoslavia's economic ills — had prevented the Government hitherto from slapping on administrative price controls.



Mikulic: new Premier

Advertisement for North East Development Corporation featuring a large image of a man's face and the text: "Aycliffe and Peterlee, gentlemen? After all it's hours and hours away from London!"

DIAL 100 AND ASK FOR FREEPHONE AYCLIFFE PETERLEE

Handwritten Arabic text in a box: "صحة من الاموال"

Poehl hints at moves to defend dollar

THE West German central bank president, Mr Karl Otto Poehl, said yesterday that a period of currency market stability was urgently needed after recent volatility and co-ordinated intervention to this end could sometimes be useful. Renter reports from Frankfurt.

Agency seeks wider role, says Patrick Blum IAEA makes the most of the limelight

THE ACCIDENT at the Chernobyl nuclear power plant has placed the International Atomic Energy Agency in the limelight and brought calls for tighter international regulations to ensure that nuclear power is being used safely.

Austria to dismantle its only N-plant

AUSTRIA'S only nuclear power station is to be dismantled, Chancellor Fred Sinowatz, said yesterday.

Chernobyl will not boost food import bill, says ambassador

THE CHERNOBYL nuclear accident will not cause the Soviet Union to buy more food from the US or the EEC, despite cessation of all agricultural work within a 30 kilometre radius of the stricken power plant.

Moscow still ready for Geneva follow-up

MR LEONID ZAMYATIN, the new Soviet ambassador to London, said yesterday that the proposal made on Wednesday by Mr Mikhail Gorbachev for a special US-Soviet summit on ending nuclear tests did not exclude a subsequent summit on more general subjects.

Vertical text on the left margin: "18 20% vermes support"

Correction

The chart on Page 2 of yesterday's Financial Times stated that the highest figure measured for airborne radiation in Europe was 4.5 millisieverts in northeast Poland.

not signed the treaty, while states that have a military nuclear capacity are not obliged to allow inspections, although Britain, France, the US and the Soviet Union voluntarily allow some inspections.

EEC fails to agree safe radioactivity levels in food

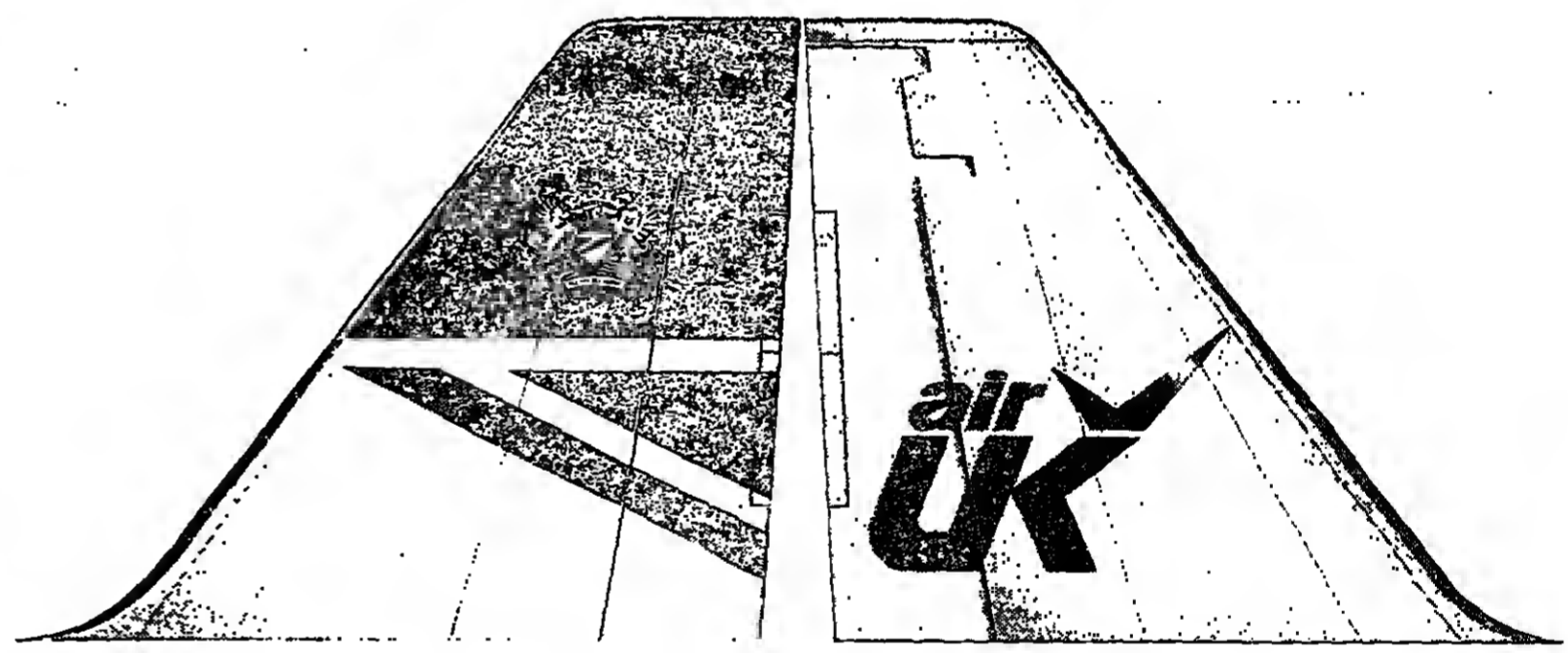
NATIONAL EXPERTS from EEC member states have given up the struggle to agree common safety levels for radioactive traces in food.

The failure was due mainly to a rift between Italy and West Germany, the former concerned to protect its vegetable exports like lettuce, the latter its dairy exports. It came just before the European Parliament agreed in an emergency debate to urge the adoption of common standards.

Table with 4 columns: Product, 2/1986, 1/1986, 4/1985, 3/1985. Rows include Hot-rolled coil, Uncoated sheet, Galvanised sheet, etc.

Commission sets tight steel production quotas

Commission sets tight steel production quotas for European Community steel-makers, announced yesterday, reflect the aim of trying to hold prices up in the face of modest demand.



There is one airline that carries more regional passengers than we do. We're big enough to admit it.

You may be surprised to see a name you're not too familiar with alongside a name you are familiar with. But it's a fact: British Airways is the only British airline to carry more scheduled passengers than Air UK between regional airports throughout the UK and Europe.

Air UK logo and slogan: 'Big enough to mean business.' Includes flight routes: Aberdeen, Amsterdam, Belfast, Bergen, Brussels, Copenhagen, Edinburgh, Exeter, Glasgow, Guernsey, Humberside, Jersey, Leeds/Bradford, London Heathrow, London Stansted, Newcastle, Norwich, Paris, Southampton, Stavanger, Teesside.

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To better reflect our balanced interests in foods and beverages and tobacco, we've changed our name from R.J. Reynolds Industries to RJR Nabisco.

But our new name does not signal a change in direction for our company. Our goal remains the same: to become the most efficient producer and effective marketer of quality consumer products in the world.

Today we're one of the world's largest and most profitable consumer products companies. We have more than 200 brands in 39 major product categories. We market our famous brands around the globe, and this year our sales will exceed \$20 billion.

Tomorrow we're going to be bigger *and* better.



RJR Nabisco is the parent company of:

Nabisco Brands, Inc. . . . \$10 billion and growing, with famous food and beverage brands including Oreo cookies, Ritz crackers, Del Monte fruits and vegetables, Planters snacks, Life Savers candy and Hawaiian Punch beverages.

R.J. Reynolds Tobacco Company . . . makes one of every three cigarettes sold in the U.S., including three of the top ten best-selling brands, and has a major entry in every important cigarette category.

R.J. Reynolds Tobacco International, Inc. . . . has 10 cigarette manufacturing plants and 20 licensing agreements and serves smokers in more than 160 countries and

territories with globally popular brands and brands tailored to regional and local tastes.

Kentucky Fried Chicken Corporation . . . every day serves nearly 3 million meals of its famous "finger-lickin' good" chicken in more than 6,000 quick-service restaurants in 56 countries.

Heublein Inc. . . . makes Smirnoff, the world's most popular vodka, and sells a broad lineup of other premium spirits, wines and imported beers.

RJR Archer, Inc. . . . provides a wide range of innovative and quality packaging for the consumer products industry.

RJR Nabisco, Inc.
Corporate Headquarters
Winston-Salem, NC 27102

سكوت نيسكو

Britain hails investment pact with China

BY COLINA MACDOUGALL AND CHRISTIAN TYLER

BRITAIN yesterday signed a mutual investment protection agreement with China which officials in London claimed is the most comprehensive of any Peking has yet concluded with its trade partners.

Sir Geoffrey Howe, Britain's Foreign Secretary and Zhong Tuobin, China's Trade Minister, also signed a £800m soft loan agreement which is intended to finance at the outset at least four major projects for which British companies are bidding.

The investment agreement, which was welcomed by British industry, is meant to encourage companies to invest in China—very low compared to that of other Western countries and Japan.

The only big British equity joint venture in China outside the offshore oil sector is Pilkington's float glass plant being built on the outskirts of Shanghai. A number of other companies are proceeding, including British Oxygen, which has been negotiating to run a plant, also in Shanghai.

One of the main points of interest for UK companies which have been deterred by the arbitrary nature of Chinese law, is that the repatriation of capital, profits and fees is said to be guaranteed.

In the case of balance-of-payments difficulties, either country can delay remittances for up to five years, but must pay a proportion of the total due each year.

However, there is no explicit guarantee that earnings in Chinese currency (renminbi) can be converted into foreign exchange.

The authorities normally only allow foreign investors to remit earnings made by exporting from China.

Yesterday's agreement also requires speedy and full compensation if the investment is nationalised. An independent tribunal would value the assets.

Disputes would ultimately be settled by international arbitration, seen by British officials as an important safeguard.

Losses caused by war, revolution or riots will be compensated for.

The agreement covers all forms of investment, including patents, trademarks, copyright and other kinds of so-called intellectual property rights.

It came into force yesterday and runs for ten years initially.



Zhong Tuobin and Sir Geoffrey Howe—shaking hands after signing two major agreements

It would then run indefinitely unless terminated by either side.

China has 14 other investment promotion and protection agreements with western countries, including UK competitors such as West Germany, France and Italy. But the US, China's leading foreign investor after Hong Kong, has yet to reach agreement, despite protracted negotiations.

The soft loan, Britain's first under a new system, will cost about £90m from the aid budget over 20 years if the whole £300m line of concessional credit is used. The China loan represents three-fifths of the UK's soft loan programme.

If the four first projects in China materialise, more than half of the £300m credit will have been spoken for. The projects are: Yueyang power station in Hunan province (Balfour Beatty and NEL); telecommunications equipment for Shanghai (Standard Telephones and Cables); a tube mill for Daxi steelworks, Hubei, (Davy McKee); and technology for Luoyang tractor factory, Henan (Lucas CAVI).

China will receive the loan at 5 per cent interest, with repayments over 20 years and a five-year grace period on the principal.

Boeing wins \$750m Peking order

By Robert Thomson in Peking

CHINA HAS agreed to purchase ten passenger jets—four Boeing 747-200s, four Boeing 757-200s and two Airbus A310-300s—at a cost of \$850m, according to the Civil Aviation Administration of China, the national carrier.

The deals are a victory for Boeing, which has been battling at the top end of the market with Airbus and McDonnell Douglas.

Boeing said the eight jets cost \$620m, but the contract, which was finalised in March, includes spares and training and is worth \$750m. The planes are due to be delivered between February 1987 and March 1990.

CAAC says the Airbus contract, signed last week, is worth \$100m, and the planes will be delivered in the third quarter of next year to the Shanghai branch of CAAC, which already has three Airbus A310s.

The Chinese Airline is in the midst of a major expansion of its fleet, and foreign manufacturers have estimated that up to 200 aircraft could be sold to CAAC in the next few years. CAAC has greatly expanded its network in recent years.

Washington and Tokyo re-open suspended semiconductor talks

BY LOUISE KEHOE IN SAN FRANCISCO AND CARLA RAPOPORT IN TOKYO

THE long-running US-Japan talks on semiconductor trade will reopen in Washington today.

The talks, conducted at the vice-ministerial level, will attempt to establish the cost of producing semiconductor chips in Japan in order to determine a fair pricing system for Japanese chips in the US.

US semiconductor producers claim that Japanese manufacturers are dumping several kinds of chips in the US market and are pressing for the imposition of more anti-dumping duties.

US and Japanese negotiators, however, are seeking a new pricing scheme for chips as well as improved access for US chip makers in the Japanese market.

The bilateral talks held today will continue next week when the topic will include market access and dumping.

An official from the ministry for International Trade and Industry (MITI) said yesterday the Japanese side was hoping for a breakthrough in the eight-month long chip talks.

MITI also stressed the results of the talks would be passed on to EEC officials who are concerned that the US and Japan might set up some kind of semiconductor cartel.

The talks mark the seventh time the two sides have met at vice-ministerial level and the 11th session so far.



Yeutter—still hoping for a way forward

On dumping, the US has previously proposed a "global price and production cost monitoring system" that would track all Japanese semiconductor sales and ensure that prices remained at "fair value."

Until recently, Japanese negotiators rejected this proposal in favour of a "floor price" mechanism on certain types of semiconductor products.

According to semiconductor industry analysts, the US proposal was unacceptable to NEC and Hitachi, two of Japan's largest semiconductor makers, both of which have production facilities in the US.

US officials say MITI has "steered a trial balloon," proposing a system that closely resembles the US plan for a global monitoring system. MITI is now suggesting a system that would measure demand and supply of key semiconductor products and curb overproduction in Japan. Floor prices would be set by MITI in Japan.

The proposal, they say, also calls for the US and Japan to establish a "uniform minimum price system to prevent circuitous exports to the US or elsewhere through third countries."

The US Trade Representative faces a deadline of July 11—12 months after the US semiconductor industry complaint was originally filed.

US prepares to act in Brazil computer row

BY ANN CHARTERS IN SAO PAULO AND NANCY DUNNE IN WASHINGTON

A TRADE dispute between the US and Brazil over Brazil's protection of its microcomputer market is threatening to strain the cordial relations between the two countries.

The White House Economic Policy Council appears to have lost patience with the progress of the market opening talks and ordered a trade working group to come up with a list of candidates for retaliation by June 25.

There is said to be unanimity in the Administration for action against Brazil. The US industry says Brazilian trade restrictions on computers and related technology cost them \$1.5bn between 1980 and 1984.

Mr Roberto de Alencar Sodre, Brazilian foreign minister, has held out the possibility of joint ventures with US corporations, but the American industry has complained that Brazil is blocking foreign investment.

The US claims Brazil is indulging in unfair trade practices with regard to its market reserves for domestic computers, personal computers, peripherals, software and data processing services.

Mr George Shultz, US Secretary of State, and Mr Sodre, Brazil's Foreign Minister, have agreed to discuss the issue, but no date has been set for a June 1 deadline for US action. The US has asked Brazil to be more flexible in its interpretation of the law granting the reserves.

INSIGHT INTO CORPORATE STRATEGY

DAIWA SECURITIES: Expanding and Diversifying

Daiwa Securities Co. Ltd. traces its roots in the Japanese financial world back over 80 years. After initiating the bill brokerage business in Japan, this pioneering firm entered the banking and securities business and inaugurated overseas activities by establishing a subsidiary in New York in 1924.

A member of all eight Japanese stock exchanges, Daiwa is one of the leading, full-service, integrated securities companies, and acts as a broker, dealer, underwriter and distributor in the global financial world.

The past year has witnessed phenomenal expansion by Daiwa Europe in London, which is at the very heart of Daiwa Securities' European operations. Business has more than doubled according to Mr. Koichi Kimura, Chairman of Daiwa Europe Limited and Managing Director of Daiwa Securities Co. Ltd. of Tokyo, who gives his assessment of rapidly changing environment.



Mr. Koichi Kimura, Chairman of Daiwa Europe Limited and Managing Director of Daiwa Securities Co. Ltd.

Davis: How have the requirements of your clients altered and what impact is this having on your London business?

Kimura: Our structure is changing and growing in response to investor demand. We have two main types of activity here in London; one aimed at Japan-based investors interested in Europe and the other directed towards European investors in Japan. Our business for Japanese clients has been expanding but their tastes are changing. In percentage terms, the Japanese market has always been more important to us but the demand for paper has been shifting as our clients become increasingly aware of opportunities outside the domestic market.

Davis: How do you intend to build on this increasingly important position in the London bond market and are there new opportunities?

Kimura: I believe that we will lead manage an increasing number of non-Japanese, non-Yen issues. As long as Japanese investors keep coming to invest in non-Yen paper, our market share is bound to expand.

Davis: How have the requirements of your clients altered and what impact is this having on your London business?

Kimura: We have offices throughout the world and we see increasing deregulation everywhere. Barriers are coming down. This means that if you rely on one market, in our case Japanese equities and bonds, you will lose market share as the big banks and securities houses move in from everywhere to establish themselves. So Daiwa, like others, will have to build firm foundations in the local securities markets of the countries where we are involved. We must concentrate on servicing those local markets while at the same time becoming more international and encouraging our clients to do the same. That is why we have joined "S.E.A.Q. International (Stock Exchange Automated Quotations International)" in preparation for on-screen dealing and have applied for full membership on the London Stock Exchange. We feel that more Japanese investors will want to deal in UK Government securities and so we must be able to make a market in gilts.

Davis: How do you intend to build on this increasingly important position in the London bond market and are there new opportunities?

Kimura: Japan is still in the process of deregulating and I should say that the pace has been much faster than people expected because the motivation has come right from the very top, the Prime Minister and Finance Minister. I am very pleased with these changes. The European market, for example, has seen some relaxation and deregulation almost every quarter and is now virtually a free market.

Swiss record for tourism

FOREIGN visitors spent a record sum of over Sfr 10.1bn (€3.2bn) in Switzerland last year according to figures released by the Government in Bern, reports John Wicks from Zurich.

This was 5.5 per cent higher than the total for 1984 and reflects both an overall increase in the number of foreign tourists and a rise in average expenditure. Hotel income is reported to have gone up by some 8 per cent and that of other forms of accommodation by 5.5 per cent over the year.

Dunkel to stay as Gatt chief

MR ARTHUR DUNKEL's appointment as director-general of the General Agreement on Tariffs and Trade, the Geneva-based world trade organisation, will be extended for three years from the end of September, the GATT council decided yesterday, writes William Dalforce in Geneva.

Mr Dunkel, 53, has held the post since 1981. He was preceded by another Swiss, Mr Olivier Long, who was director-general for 12 years from 1968.

There was no opposition to his re-appointment.

Ericsson awarded \$100m US Army radio order

BY PAUL TAYLOR IN NEW YORK

ERICSSON, the Swedish telecommunications equipment manufacturer, has won a \$100m order from the US Army to supply more than 2,000 digital microwave radios to the US Army.

The Swedish group said the contract was awarded by GIE's tactical systems division. The contract is part of the \$4.3bn mobile subscriber equipment (MSE) contract which GTE and its European partner, Thomson-CSF of France, won late last year after a fierce battle with a rival consortium led by Rockwell International and Plessey of the UK.

The MSE contract, dubbed the Pentagon's largest ever foreign military contract, will provide mobile tactical communications equipment to US Army enabling operators to transmit and receive messages virtually anywhere in the world.

The multi-billion-dollar contract calls eventually to deliver more than 8,000 mobile radios, 1,000 switching centres and 25,000 telephones over an eight year period.

Ericsson said its sub-contract was won against other bidders and will result in calls for delivery of the digital microwave radios over the next six years.

Daniel Marsh from Paris adds SNECMA, the French state controlled aeroengine group, has won a half share in a \$461m order received from the Pentagon to motorise the US Air Force's KC-135 Boeing transport aircraft.

The order was awarded to CFM International which is a long joint venture between General Electric and Snecma.

The companies will be building 188 F-108 engines to equip 43 KC-135 transporters and four C-135F aircraft owned by the French air force.

The order is the latest in a long line of motorisation contracts for the CFM grouping, taking the total number of motors being produced for the US and French programmes to 691.

Davis: How do you intend to build on this increasingly important position in the London bond market and are there new opportunities?

Kimura: Both our involvement in Euroyen and non-Yen issues increased substantially. We see a dramatic increase of our involvement in non-Yen issues with more and more dollar denominated bonds. Whereas we used to participate in new issues, we are now becoming increasingly active as lead managers in non-Japanese dollar issues. This is because Japanese investors have invested huge amounts in US Treasury bonds in recent years and now that money is being diversified into Eurodollar bonds. The investment base is at present, of course, still mainly Japanese.

Davis: How do you intend to build on this increasingly important position in the London bond market and are there new opportunities?

Kimura: Euroyen issues are also increasing in number and in size. The Euroyen market is now well established and probably now ranks in second place to the Eurodollar. Until 1984 the number and size of issues was very limited and so not many serious institutional investors were interested. If they wanted to invest in Yen bonds they would turn to the domestic market in Tokyo. But now they can see a growing level of activity, with big 30 billion to 50 billion Yen issues coming along, and they are more interested because they can trade in the stocks. A sensible after-market has developed which is also a useful side-effect for Daiwa as market makers.

Davis: How do you intend to build on this increasingly important position in the London bond market and are there new opportunities?

Kimura: The first way is to introduce more foreign companies to the Tokyo stock exchange.

Davis: How do you intend to build on this increasingly important position in the London bond market and are there new opportunities?

Kimura: I am sure that the technical difficulties between the UK and Japan are virtually solved so I am optimistic that a banking licence will be granted within this year. I think it is just a matter of when and what order they are issued to the Japanese houses. We already have banking operations in Amsterdam and the Far East but that is not really convenient. I am convinced that we will benefit when we can establish a banking operation here in the financial centre of London.

Davis: How do you intend to build on this increasingly important position in the London bond market and are there new opportunities?

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AMERICAN NEWS

Cool US welcome for Soviet arms proposal

By Reginald Dale, US Editor, in Washington THE Soviet Union yesterday introduced a draft treaty limiting intermediate-range nuclear missiles at the Geneva arms talks...

Terry Dodsworth assesses a finance committee proposal attracting moderate corporate sector enthusiasm Industrialists applaud Senate tax reform plan

FOR the past year, US industry has had very few positive things to say about tax reform. Most businessmen believe that uncertainties over future tax provisions are cramping investment and expansion plans...



Roger Smith of General Motors (left) and T. A. Wilson of Boeing: both supporters of the plan

According to many economists, the overall effect of the suggested measures would be to return the corporate tax take to about the level of the late 1970s, before the heavy tax reductions which marked the pioneering early days of the Reagan Administration...

others. They also argue that while the proposals have some negative aspects, the overall impact of the proposed measures should be to stimulate the economy—and therefore help industry—through putting more spending power in the pockets of the American public.

Mexico defends record on capital flight

THE Bank of Mexico yesterday moved to defend the record of President Miguel de la Madrid's Government in curbing capital flight. In a strongly worded attack on Morgan Guaranty, the US money centre bank...

Age proves no barrier in Dominican Republic poll

BY ROBERT GRAHAM IN SANTO DOMINGO ANY ASPIRING gerontocracy should take heart from the presidential and parliamentary elections in the Dominican Republic...

him the young population of 6m could be over the voting age of 18. For the first time since the US sent in marines 31 years ago...

cope with the republic's \$3.4bn (£2.2bn) foreign debt. For this reason, economic issues, though still dominant in the candidates' manifestos...

Mr Juncos repeatedly asserted his authority as chief of state and insisted that the army had no role in running the country, even though President Zia has maintained the role of chief of army staff.

PaineWebber fined \$28.2m

PAINEWEBBER, the US securities firm, and one of its gold traders, have been ordered to pay \$28.2 million (£18.2m) to a Catholic charitable foundation in Milwaukee after a judgment against them for trading abuses in the gold commodity market.

US output up 0.2% US INDUSTRIAL production rose 0.2 per cent in April after a revised 0.7 per cent increase in March...

OVERSEAS NEWS

ANC set to reject peace initiative for South Africa

BY PATTI WALDMEIR IN LISAKA PROSPECTS for early negotiations between the South African Government and the African National Congress (ANC) National Congress (ANC) looked dim last night as top ANC officials met in Lusaka to consider a proposed Commonwealth initiative to bring the two sides together in peace talks.

Botha is determined to move ahead with reform

SOUTH AFRICA'S President P. W. Botha said yesterday his Government was determined to move ahead with reform and would seek approval from voters through elections or referendums.

US, French hostages threatened in Lebanon

BY NORA BOURTANY IN BEIRUT THE clandestine "Islamic Jihad" organisation yesterday threatened to kill US and French hostages if it is holding would be the first to pay the price for any pressure exerted against Syria for their release by Paris, Washington or other Arab countries.

Troika for Kabul

THE Afghan Communist Party chief, Gen Najibullah, yesterday announced a collective leadership which includes him, President Babrak Karmal and Prime Minister Sultan Ali Khashtmand.

Junejo aims to amend Pakistan election law



Mr Junejo: asserting his authority

THE PAKISTAN Government is taking controversial steps to try to strengthen its base in the country's parliament. It wants to be able more effectively to resist calls for early general elections being issued for the first time by the late President Zulfikar Ali Bhutto, daughter of the late President Zulfikar Ali Bhutto, and leader of the Pakistan People's Party.

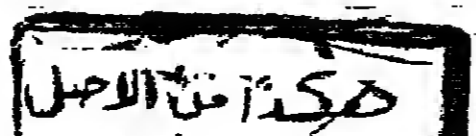
In an interview yesterday Mr Junejo attempted to dismiss the ordinance, which is causing considerable political controversy, as a "very small thing of no relevance."

Commissioner and Assembly. Mr Junejo became Prime Minister last year and has been asserting his authority as the country's "chief executive" over President Zia-ul-Haq, the former martial law administrator who ended martial rule on January 1. The two men are reputed to have had major differences.

Indian magnates fall out over trade body

John Elliott, South Asia Correspondent, reports on rivalry in the business elite

A FEW years ago Mr Sudarshan K. Birla, a prominent member of India's leading business family, invited to tea the president of the Laundry Association of Amritsar and which dominates many sectors of industry—into those who support the far-flung Birla family and those who do not. Birla companies rival the Tata industrial empire as the largest group in India and have assets and turnover both exceeding \$3bn.



535i 'Shadow'

سكنا من الاميل



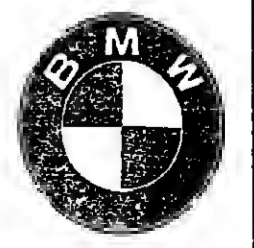
Leave boredom behind.

Sooner or later, reality takes over from the dreams of youth. Success becomes part of a schedule, and covering long distances loses any sense of adventure.
But you recapture the sheer driving pleasure you enjoyed before routine took hold, in a rather special car: the BMW 535i 'Shadow'. This is the car that

out-accelerates monotony. It is powered by a 3.5-litre, six-cylinder from the company that builds Formula One engines, monitored and controlled by Digital Motor Electronics.
For sporting high performance in perfect harmony with the refinement so typical of a BMW. A skilful blend of superb handling and active safety. German engineering combined with

innovative technology, for instance an antilock braking system (ABS) as standard equipment.
A masterly technical achievement, clad in bodywork of lasting elegance. Unsurpassed dynamic potential, subtly suggested by the restrained 'Shadow' visual features: black window surrounds and side rubbing strips, body-colour door mirrors and bumpers.

The alternative for the individualist. When you get to know the BMW 535i 'Shadow', you will be fascinated in a way that words can scarcely express.
The BMW 535i 'Shadow' – bring back the adventure: treat yourself to a test drive.



The ultimate driving machine

UK NEWS

Two BL chiefs may leave as Day takes over

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MR RAY HORROCKS and Mr David Andrews, the two executive directors who have shared responsibility for the day-to-day operations of BL, the state-owned vehicles group for the past five years, are expected to leave the company shortly.

They seem to have been given little alternative by BL's new chairman and chief executive, Mr Graham Day, who moved from British Shipbuilders on May 1.

Mr Day, aged 52, has taken personal responsibility for BL's car division - which includes Austin Rover, BL Technology and the Unipart spare parts business - which Mr Horrocks has headed since April 1981.

Mr Horrocks was "reviewing his position", BL said last night.

Mr Andrews was expected to return to BL, where he has been responsible for the Land Rover-Leyland commercial vehicle operations, after taking a leave of absence to lead the team which hoped to organise a management buy-out of the Land Rover company.

Unexpectedly, he was asked to extend his leave of absence and it now seems unlikely that he will return.

In the meantime, Mr Horrocks, who temporarily took control of Land Rover-Leyland during Mr Andrews' absence, has agreed to continue in this role for a short time so as to provide some continuity.

Mr Horrocks, 55, who last year was paid about £95,000 by BL, previously worked with Ford and Eton Corporation before being recruited to BL by Sir Michael Edwards, then its chairman, in 1977.

He claimed recently he had been "disciplined" by Mr Paul Channon, the Trade and Industry Secretary, for leading the opposition within BL earlier this year to a merger of Austin Rover and Ford, an idea which at that time had considerable attractions for the UK Government.

He was punished, he suggested, by being passed over for the chairmanship of BL in favour of Mr Day, who is widely believed to be Mrs Margaret Thatcher's personal choice.

Mr Andrews is believed to be BL's highest-paid executive, receiving £98,367 in 1985. Until now, he has been known as the group's "great survivor," having joined as financial controller from Ford of Europe in 1969.

He survived the far-reaching purge of top management implemented by Sir Michael after his arrival in 1977.

For some time, Mr Andrews was Sir Michael's vice-chairman and then took control of the commercial vehicle operations when BL was split into two divisions.

He upset some senior Leyland Trucks managers by taking leave of absence during the talks with General Motors when the US group hoped to buy both Land Rover and the Leyland Truck operations. Negotiations collapsed when the UK Government told GM that Land Rover could no longer be included in the deal.

The Andrews consortium's bid for Land Rover was later rejected by BL, together with others from Lorrho and J. C. Bamford. BL said it would keep Land Rover with the idea of floating the company on the stock exchange in about two years' time.

Manufacturing output shows sharpest reverse for 6 years

BY GEORGE GRAHAM

BRITISH MANUFACTURING industry in the first quarter met its sharpest reversal since 1980, new figures published yesterday show. Manufacturing output in January and February was worse than originally indicated, and it fell further in March, the Central Statistical Office (CSO) said.

The index of output for the manufacturing industries is provisionally estimated at 102.3 for March, leaving first-quarter output 1 per cent lower than in the last three months of 1985, and the same amount lower than the same period a year earlier.

The announcement was greeted with gloom in the City of London where analysts said it meant many companies would bear the full brunt of rising wage costs without offsetting productivity gains.

Cold weather boosted output by the energy industries in the first quarter to a level 4½ per cent higher than in the previous three-month period.

Railways lose parcels contract

BY JASON CRISP

BRITISH RAIL has lost the 103-year-old rail contract to carry parcels for the Post Office which will instead send them by road.

The decision is the second recent blow to BR's £150m a year parcels sector. It lost business worth about £10m a year when Mr Rupert Murdoch's News International switched to road distribution with the move of its printing plant to Wapping, east London.

It is believed that the Post Office will save £5m to £6m a year by switching to road, even after BR offered to cut its prices by 65m in an attempt to retain the business. The Post Office was paying BR £13m a year for carrying parcels and £40m for letters, which are not affected.

BR first wrote to the Post Office last September because it was losing money on the parcels contract. After lengthy negotiations it offered to improve the service and cut the price by 61m. Under pressure from the Post Office it offered a different option at £9m.

Because of the additional costs of delivering the parcels to BR, the Post Office decided it could do the job more cheaply itself.

BR says up to 400 jobs may be at risk because of the decision.

Although BR loses money on the Post Office contract, the loss of the revenue will be felt because of BR's high fixed costs. In the year ending March 1985, BR's parcels sector made a surplus of £18.9m before interest on revenues of £149.3m.

The sector includes BR's own Red Star premium parcel service which competes with the Post Office. Newspapers before the Wapping move accounted for £30m of BR's revenues.

BR believes that News International may return to rail once its dispute with the print unions has been resolved.

Output in the production industries as a whole - including both energy and manufacturing - was ½ per cent higher in the first quarter than in the last quarter of 1985, and 2½ per cent higher than in the same period a year earlier.

The announcement supported earlier evidence from the Confederation of British Industry (CBI) that British manufacturers had seen a downturn in activity in the first quarter. But the CBI said yesterday that the figures were depressing and appeared to suggest that conditions had been worse than its own survey had indicated.

The CBI said high borrowing costs were still burdening industry and called for a further cut in bank base rates - preferably today.

The sharpest decline came in the metals industry, where first-quarter output was 3 per cent lower than it had been in the previous three months. The chemical industry also recorded sharply lower output, and

electrical engineering continued its yearlong decline. First-quarter output in this sector stood 8½ per cent below its peak in the first quarter of 1985.

Car production rose sharply in March to leave first-quarter output higher than in the previous three-month period, but other consumer industries suffered from declining output, despite the apparent evidence of buoyant retail sales in the same period.

Output of man-made fibres in the first quarter rose 6 per cent from the previous three-month period although this sector is still showing lower production levels than those achieved in 1983 and 1984.

The "bias adjustment" to the manufacturing output index, introduced four months ago in a bid to offset an apparently persistent under-recording in early estimates of output, has continued to embarrass government statisticians.

Electricity dispute halts tariff statement

AN ANNOUNCEMENT that electricity tariffs were to go up by less than expected and would then be frozen until March 1988 was cancelled at the last minute yesterday because of the collapse of the power station workers' pay talks, *Manchester Guardian* writes.

Instead, the Electricity Council is making contingency plans to safeguard electricity supplies from May 24 when the power workers are due to start a work-to-rule.

The council had drafted a statement apparently saying that monthly tariffs from July 1 would go up by only about 2 per cent, instead of about 3 per cent as expected earlier. It would also have held out the prospect of a tariff freeze until the end of the following financial year.

The announcement had been drafted on the basis of an agreement concluded by the Central Electricity Generating Board and the National Coal Board about cheaper coal prices to power stations.

The agreement was due to be signed in about a fortnight's time once it had been cleared by the Government. This timetable could be affected by a prolonged dispute in the electricity industry.

Overtime ban, Page 10

Systeme, the computer group, has denied any guilt after its settlement of the \$600,000 civil penalty with the US Commerce Department for re-exporting US technology without authorisation.

The company said in a statement: "Systeme has made a settlement to avoid long and expensive legal proceedings with the attendant negative effect on its business. The settlement is not an admission of any wrongful action but a pragmatic business decision."

Systeme was alleged to have made 23 shipments worth more than \$4m of US computers to Libya, Syria, India, Pakistan, Malaysia, Singapore, Switzerland and Zimbabwe without authorisation to re-export.

PROTESTANTS mounted a series of protests in Ulster to mark the six months anniversary of the signing of the Anglo-Irish Agreement which gives Dublin a say in the affairs of the province.

In one protest 12 Democratic Unionist Party members of the Northern Ireland Assembly occupied the switchboard room at Parliament Buildings at Stormont for three hours, holding up the work of some government departments. Police broke down the door with a hammer and the protest ended peacefully.

SE fights to remove equity plan bar on unlisted shares

BY RICHARD TOMKINS

THE STOCK EXCHANGE has fiercely attacked the Government's proposal to exclude shares quoted on the unlisted securities market (USM) from personal equity plans (PEPs).

It says the proposal is unfair and it intends to bring strong pressure to bear in an attempt to have the decision changed.

Personal equity plans were introduced in the last budget as part of the Government's strategy to spread individual share ownership. When in operation, they will bring tax relief on capital gains and income from share investments of up to £2,400 a year.

The outline proposals published on budget day specifically included USM-quoted shares in the scheme, but the Inland Revenue's more detailed proposals, published on Monday, revealed an about-turn by excluding them.

Mr Lynton Jones, the exchange's head of public affairs, said the Stock Exchange was very concerned by the change. Presumably it's because it's a new scheme and it's a bit of a hand of US companies, have ever gone bust and there are as many examples of plummeting stocks on the main market as there are on the USM," he said.

The ludicrousness of the Government's position is that the business expansion scheme, which provides tax relief on investment in unquoted companies, was designed to exclude the USM precisely because it was seen as too much like the main market.

Mr Jones said the Stock Exchange had not been consulted about the proposal and had been surprised by it. "We will be making a major point of this in our representations to the Inland Revenue," he said.

The proposal has also drawn fire from the investment community. Mr Geoffrey Douglas, who heads the USM research team at Hoare Govett, the stockbrokers, described it as illogical, ill-conceived and ill-considered. "The actual impact may not immediately be apparent, but this could do serious damage in terms of sentiment," Mr Douglas said.

The Inland Revenue said yesterday that the USM had been excluded from the scheme because PEPs were aimed at small, first-time investors who had little knowledge of the stock market and needed to be protected from undue risk.

However, the proposals were still at a consultative stage and all representations would be considered before the final plans were drawn up. The scheme is expected to come into operation next January.

Shell to abandon £65m North Wales pipeline

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

SHELL UK is to close its marine terminal on Anglesey, off the north-west coast of Wales, and abandon the £65m pipeline it built across North Wales in the 1970s to carry oil to its Stanlow refinery at Ellesmere Port, Cheshire.

The 75-mile pipeline, which until 18 months ago was a prominent feature of Shell's corporate advertising on television, cost £7.5m a year to operate.

The company says that the economics only made sense if throughput reached the design levels of 2m tonnes of oil by the end of this year. But throughput has been consistently in the range of 500 to 7m tonnes per year, with no prospect of increasing. The company will now ship its crude to Stanlow via the Mersey, using 100,000-tonne tankers.

This will bring a benefit to the port of Liverpool, which lost most of its oil cargoes when the pipeline was built. Last year less than 3m tonnes of oil were shipped through the port. The switch is also likely to benefit the Mersey's pilots, who have suffered considerable problems as shipping traffic into the Mersey has declined.

In March, the Mersey Docks and Harbour Company agreed that Shell should take over the port's oil terminal at Tranmere, Birkenhead. Previously it had been operated jointly. The new arrangement allowed Shell to introduce flexible working practices agreed with the unions at Stanlow, so that the prospects of operating the terminal more economically were enhanced.

Securing the new working practices and control at Tranmere paved the way for closure of the pipeline, which was beginning to represent a serious threat to economic operation of the Stanlow refinery itself, a large employer in the Merseyside special development area.

Alternative £60m developments proposed for prime City site

BY COLIN AMERY, ARCHITECTURAL CORRESPONDENT

LITTLE MORE than a year after the rejection of proposals for a 280ft (86.4 metres) Mies van der Rohe tower as part of the re-development of the Mansion House Square site in the City of London, Mr Peter Palumbo, the site developer, has come up with alternative £60m schemes.

This time they are designed by Mr James Stirling, the acknowledged leader of new British architecture.

The earlier scheme was turned down after a lengthy public inquiry by Mr Patrick Jenkin, who was then Environment Secretary. A report by the inquiry inspector did not rule out complete re-development of this sensitive site despite the presence of several important buildings listed as being of special architectural interest.

Mr Jenkin said re-development would be approved "if there is an acceptable proposal for replacing the existing buildings."

The whole debate will now rest on the definition of the minister's use of the word "acceptable." As a developer Mr Palumbo has done all he can to secure a good piece of contemporary architecture that fills the complex bill now demanded by the City corporation.

First of all any new building has to respect the context of this historical hub of the City of London. Secondly it has to be a commercially viable scheme that will provide the office technology and space for the sophisticated demands of those who

are likely to want to rent this prestige building at the centre of the City's financial operations.

To meet this almost impossible set of criteria Mr Palumbo did not appoint a safe commercial architect. In Mr Stirling he has the designer of a new extension to the Tate Gallery for the Turner Collection. Mansion House would be his first commercial building in London. His Staatsgalerie in Stuttgart won universal praise as one of the best new buildings in Europe.

The two schemes that Mr Stirling has produced are both intriguing and important examples of a new school of contextual modern architecture that both respect the scale and quality of the entire neighbouring area.

The site does not this time incorporate any outdoor plazas. The triangular development has its base on Side Lane, its two long sides on Poultry and Queen Victoria Street meeting in an apex at the corner facing the Royal Exchange where the turret of the Mappin and Webb building now stands.

There are two clear schemes. Scheme A keeps the Mappin and Webb building and has a lowish tower of 150 feet; Scheme B demolishes the entire site as it is at present and redevelops to an overall height of some seven storeys, with a new apex corner with a glass turret and a new clock.

Both schemes have received the blessing of the Royal Fine Art Commission. Mr Norman St John Stevas, commission chairman, "warmly welcomed" the schemes and said that a building designed by James Stirling would be an asset to the City of London.

If it fell to the commission to make a choice between the two schemes, "there is a preference for the scheme that incorporates the Mappin and Webb building, as a majority of commissioners would like to see such a familiar landmark retained," he said.

If there is to be another wave of controversy about the redevelopment of a key City site that is now surrounded by scaffolding and is in a condition of nascent collapse it is likely to hinge on the question of the loss of some seven listed buildings in a Conservation Area.

It is time that conservationists looked at the quality of the buildings that are proposed to replace a collection of unexceptional 19th century commercial buildings. The James Stirling proposals will be faced in finely detailed Portland Stone and granite and will make conscious and interesting references to the immediate surroundings.

In terms of the new City of London plan this new development will offer the new sort of office accommodation, 15 ft high rooms to take computer and necessary wiring and room for 10,000 sq ft dealing rooms



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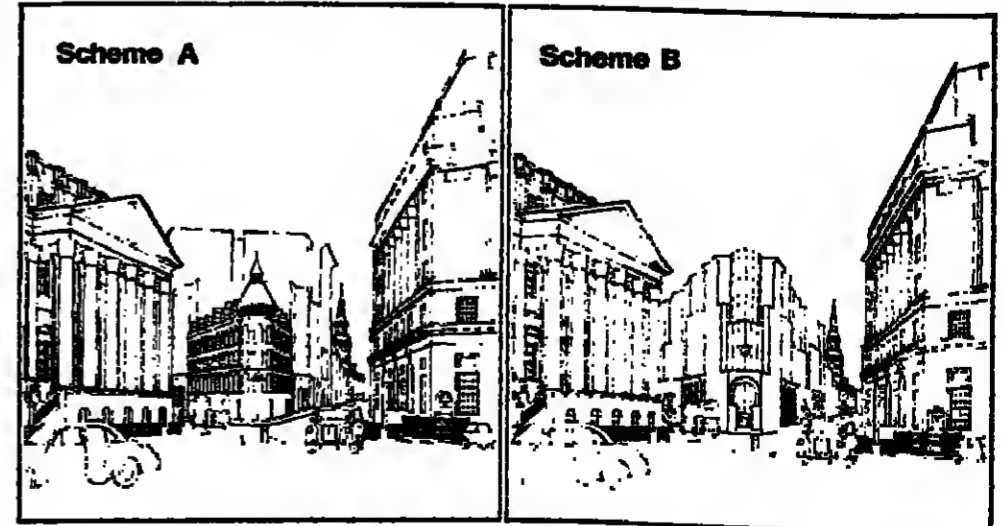
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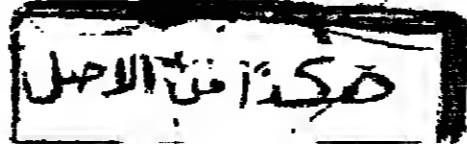
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James Stirling's designs, showing the Mansion House, left

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UK NEWS

SWEEPING REORGANISATION PROPOSED FOR ENGINEERING INDUSTRIAL RELATIONS

Employers seek single-union deals

BY PHILIP BASSETT, LABOUR EDITOR

ENGINEERING employers in Britain are seeking a big extension of single-union deals. Confidential proposals have been put to engineering unions on behalf of 5,500 companies covered by the Engineering Employers' Federation (EEF).

The EEF wants all member-companies to reshape their agreements along the lines of single-union recognition - a move which would mean the largest reorganisation of industrial relations ever seen in British industry. It would carry widespread implications for the way that companies carry on their businesses.

Single-union deals have been widely adopted in those few high-technology companies that do recognise trade unions. Many over-

seas companies establishing operations in Britain - especially Japanese - insist on single-union deals as a precondition for starting up in the UK.

The proposal has been put forward as part of the protracted talks between the EEF and the Confederation of Shipbuilding and Engineering Unions (CSEU) on flexibility and working time.

In a draft procedure agreement tabled recently by the EEF to the joint working party considering these issues, the EEF is seeking the right of all its federated companies to move away from multi-union bargaining to deal only with a single union.

Where recognition rights are presently vested in a number of unions, the EEF is suggesting that

these should be withdrawn, and placed instead with only one union. Unions which lost recognition would still be able to represent individual members in their own specific grievances, and union members would still be able to remain in the union of their choice.

Although the proposed arrangement would be carried out only with the agreement of all the unions concerned, the EEF makes no suggestion to member companies about which recognised unions they should choose. The arrangement that it is suggesting is similar to one adopted by the South Wales-based Japanese company Hitachi, which went from six unions to recognising only one, the EETPU electricians.

That caused considerable inter-

union difficulties, and the EEF's draft agreement suggests an alternative proposal of a joint bargaining committee. This would act in effect as a single union and would again cut out separate negotiations by individual unions.

Union responses to the proposals are not yet clear. They may not sit easily with the Trades Union Congress's (TUC) own new provisions on single-union agreements. First signs of union reaction are likely to come when the progress of the negotiations is reported to next month's CSEU annual conference.

Other proposals suggested by the EEF include a move towards cashless pay, an ending of demarcation lines on the shop floor and a reduction in working hours.

Tourist authority in £1m campaign to woo US visitors

BY FIONA THOMPSON

THE BRITISH Tourist Authority (BTA) is to spend £1m on a campaign to bring back US tourists to Britain.

Announcing the decision yesterday, Mr Duncan Black, BTA chairman, said Americans had cancelled a substantial number of holidays in the UK since the escalation of terrorism in Europe and more particularly since President Ronald Reagan's airstrike on Libya.

Mr Gerry Marks, commercial counsellor at the US Embassy in London, said the cancellations had given Gadafi a victory by creating a quasi-economic boycott of Britain.

The campaign will focus on the slogan "Britain speaks your language."

This was to emphasise not just the literal words but also the close link between the two countries, especially in the light of the British Government's support for the US over Libya, said Mr Lewis Roberts, BTA's marketing director for North America.

The action plan will include:

- Between \$1.2m - \$1.5m to be spent on advertising in the US;
- A promotional mission to US cities, including New York, Washington, Los Angeles, Dallas and Chicago, by a group including a leading British fashion designer,

pop star, entertainer, author and a renowned American living in Britain;

- An increase in the number of visits to Britain by US broadcasters and American travel agents.

The cost of the campaign would be well worth it to protect the UK's earnings gained from US visitors, Mr Roberts said. Last year these earnings, excluding airfares, amounted to just under £1bn.

He said the US market represented the biggest single foreign market source and was therefore very important to the UK. But he stressed that it was vital to see this in context.

In "visitor spend terms" the total turnover from all sources last year was £13bn, 50 per cent of this coming from the domestic market. Of the overseas visitors, 25 per cent came from the US and 35 per cent from the rest of the world.

Most of the cancellations reported by airlines and hotels are of groups rather than individual travellers, particularly groups of schoolchildren and students. The incentive market, normally 100,000 visitors a year, has also suffered cancellations as sponsors do not want to face the possibility of litigation in the event of an incident.

APPOINTMENTS
Beazer restructures

C. H. BEAZER (HOLDINGS) has restructured its board. Mr Dick Allen and Mr Terry Upsall have been appointed group managing directors responsible for contracting and houses and property activities respectively. Mr Alan Coombes becomes finance director, retaining the office of company secretary, and Mr Bill Bradshaw becomes assistant company secretary.

Mr David Coombes, sales director of Borough Plating, a wholly-owned subsidiary of THE NORMAN HAY GROUP, has been appointed to the main board. Mr Coombes pioneered the plating of plastics in Britain.

Mr Kelly was with Lin Inter Euro, where he was board director with particular responsibility for its business development.

A reorganisation of ROCKWELL AUTOMOTIVE (UK)'s Thompson division has resulted in Mr Geoffrey Beazer, previously managing director of sales and marketing, being appointed managing director of the division which has been re-named motor pressings division. Mr Michael Beazer becomes manufacturing director, Mr Jim Morgan sales director, Mr Tim Bell finance director, and Mr Terry Hall personnel director.

KEY EXCHANGE SYSTEMS, European distributor of the Keyword document conversion system which integrates Locompatible word processing systems has appointed Mr Alan Wallman as managing director. He was previously market planning manager with ICL. Mr Nick Newman becomes finance director and company secretary. He joined from ICL where he was controller of training services.

The following have been appointed to the board of M. ROTHSCHILD AND SONS: Mr Malcolm Ash, Mr William Staple and Mr Philip Swatman.

ROYAL DOULTON has appointed Mr Stanley V. Edwards as personnel director. He had been director of personnel



Mr Stanley Edwards, personnel director of Royal Doulton

Mr K. E. Parkinson has left PORTSMOUTH AND SUNDERLAND NEWSPAPERS to become company secretary with a new national newspaper. The Independent, Mr T. E. Lake is being appointed company secretary in his place. Mr Lake was assistant company secretary.

COUNTY SECURITIES has appointed Mr Bob Thomas as managing director of County Australia Securities and Mr Kevin Crotty as director of County Securities. Mr Thomas will be responsible for the establishment of an Australian stockbroking operation based in Sydney, Melbourne and London. Mr Crotty is to establish and lead the Australian equity sales operation in London with responsibility for the marketing of Australian securities internationally. Initially he will be based in Australia to assist the local development phase. Both were formerly partners in Potter Partners.

Mr Richard Evans has been appointed managing director of THE RAWPLUG COMPANY, part of Williams Holdings. He joined Williams Holdings in February as managing director

services of the company's manufacturing and trading subsidiary Royal Doulton (UK) since 1984.

Following the recent merger of Roderic Unger and Associates with Executive Selection Associates, Mr Roderic Unger has joined the board of EXECUTIVE SELECTION ASSOCIATES. Mr J. W. Rusch, a director, becomes company secretary.

Mr John Harris, group chief executive of Crystallite Holdings, has become president of the EUROPEAN ELECTRONIC COMPONENT MANUFACTURERS ASSOCIATION, which is based in Brussels.

Mr Roger Williams, of Coin-a-Drink, has been elected chairman of the AUTOMATIC VENDING ASSOCIATION OF BRITAIN for the year 1986-87 with Mr Christopher Thomas of Baskmate re-elected as treasurer.



Mr Richard Evans, Rawplug managing director

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BIFFA WASTE SERVICES, specialist waste disposal subsidiary of BET, has appointed Mr Mark E. Aldridge as managing director. He joins from the ESAB Group. The appointment follows the resignation last December of Mr R. C. Biffa as chairman and managing director of Biffa when he led a management buy-out of Biffa's fellow subsidiary, Re-Chem International.

of Spencer Clark Metal Industries, another recent acquisition. Previously, Mr Evans was managing director of British Alcan Consumer Products. He was also managing director of Associated Baco HomeMaster, which produces DIY double glazing kits.

Mr D. J. Bond has been elected a director of the MEDICAL SICKNESS SOCIETY, and Professor R. Jarman has been appointed chairman of MEDICAL SICKNESS FINANCE CORPORATION.

Mr Hugh Whitcomb has been appointed general manager of ITN. He succeeds Mr Paul Matthews who recently became deputy chief executive. Mr Whitcomb was managing editor of ITN. Since 1981 he has been chairman of the TV News Working Party of the European Broadcasting Union.

NORCROS has appointed Mr G. E. Burton to the board of subsidiary Adderley Green Tiles as sales and marketing director, and Mr M. Howard to the board of subsidiary H. and R. Johnson Tiles as marketing director.

FIRST COMPUTER has appointed Mr Michael Kelly as marketing manager. He takes over from Mr Ian Slater, who is leaving to pursue other interests.

BUNGE AND CO has appointed Mr David Airey as deputy managing director from July 1. He is at present managing director of Bibby Edible Oils, a wholly-owned subsidiary of Bunge and Co, and will become deputy chairman on that date. His successor as managing director at Bibby Edible Oils Limited will be Mr Bob Stokell.

Power industry faces ban on overtime

BY OUR LABOUR STAFF

ELECTRICITY POWER workers in England, Scotland and Wales begin an overtime ban on May 25 after the breakdown of pay talks. Unions have rejected an improved offer worth 8.2 per cent on basic rates which employers described as "fair and reasonable."

An overtime ban might lead within a few weeks to the shutdown of two or three generating stations. Al-

though the approach of warmer weather will not be on the unions' side, one factor running in their favour is that this is the start of the season when individual boilers within stations are closed down for cleaning and repair.

Much of the work done in this period is normally on overtime. There is great pressure to complete it as quickly as possible in order to get

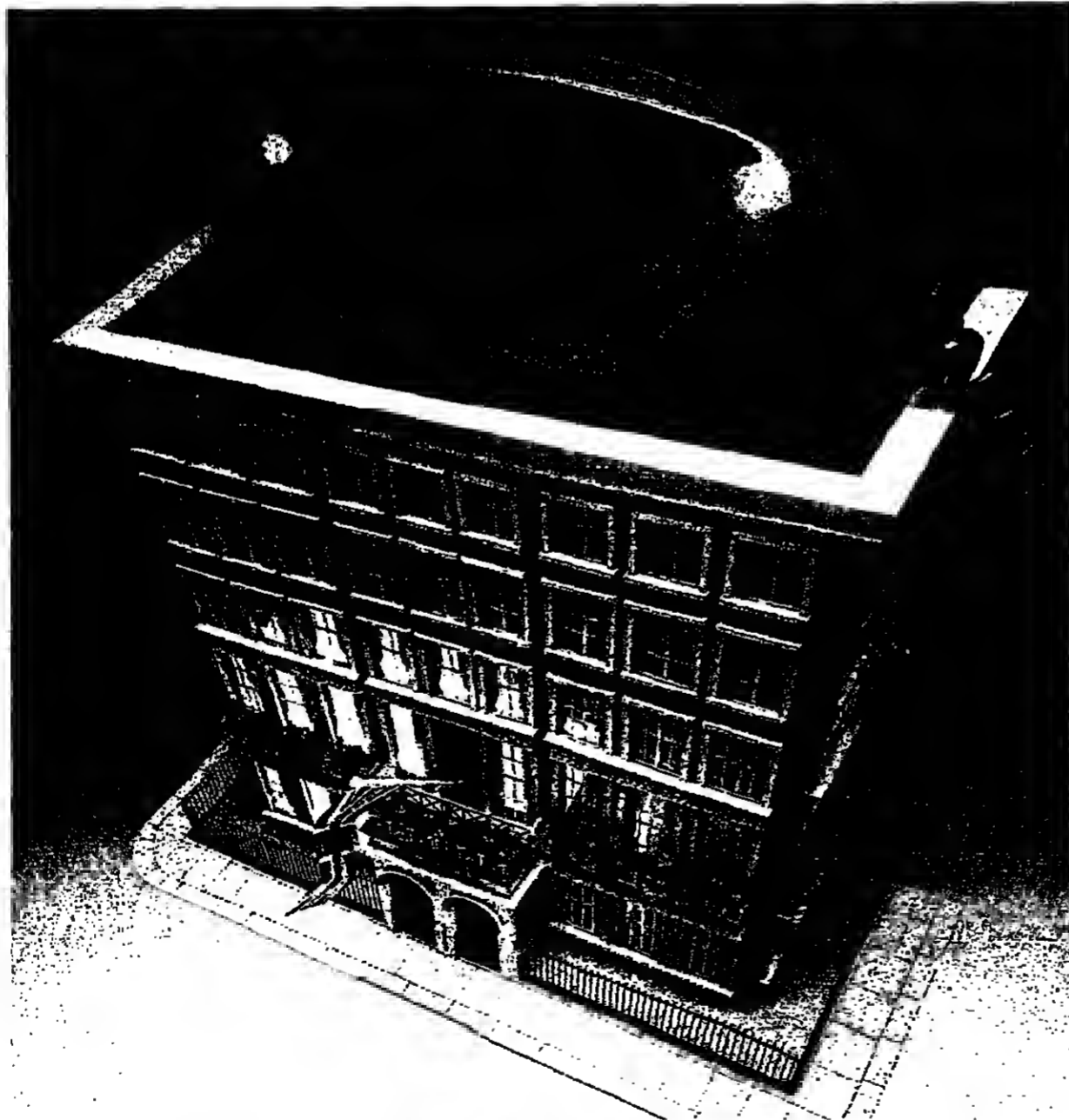
the unit back into commission. From May 25, manual employees will not work this overtime, forcing - according to the unions' tactics - management to bring in other stations, many of them less efficient, and so more costly to run. This will hit the industry rather than the consumer.

Union leaders accept privately, however, that managements could

increase the already widespread use of contractors to carry out some of the work, and so they are likely to make local-level approaches to the contractors concerned.

Capital projects - mainly work for the Central Electricity Generating Board - could also be hit, as will out-of-hours repairs. Stand-by and emergency arrangements are exempted from the ban.

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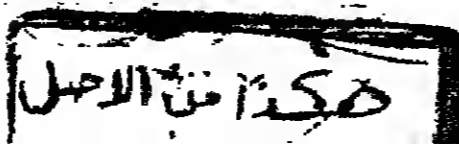
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Taskforce proposed for retailers and industry

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A TASKFORCE to improve links between British retailers and manufacturers was proposed yesterday by Mr Tom McNally, director general of the Retail Consortium, which represents most of the large retailing groups.

Mr McNally, speaking on the opening day of a Financial Times conference on "Retailing to 1996", said that the taskforce could improve the quality, design and competitiveness of British-made products. He suggested that Prince Charles might be invited to lead it.

"Given his known interest in both design and the future of British industry, I would suggest that Prince Charles would be the ideal choice to head such a taskforce," he said.

Mr McNally called for retailers to be given a more central role in government economic thinking. "We have to present with vigour the full picture of the industry's role in the economy," he said.

He also called on the Government to appoint a senior minister of leisure within the Department of Trade and Industry to increase co-

operation between retailing, tourism, travel, sport and entertainment.

On the issue of Sunday trading, which has caused controversy within the consortium because of differing views by retailers, Mr McNally pointed out that the retail industry

was still left with "the absurd and unworkable 1950s Shops Act."

Mr Mark Southam, managing director of the Dixons Group, told the conference that merchandising was the key to successful retailing. "There is no shopping or advertising so fancy that it can make a poor merchandise proposition sell and, conversely, if the merchandise proposition is right then everything else will fall into place."

He said it was "absolutely certain" that by 1996 the merchandise ranges for successful retailers would have changed dramatically.

Other speakers yesterday were Mr Robert Tyrell, managing director of the Henley Centre for Forecasting, and Dr Russell Schiller, head of research at Hillier Parker May and Rowden.

Mr Edward Whitefield, chairman of Management Horizons, suggested that town centres could still hope to survive in face of competition from out-of-town retailers.

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Euro court upholds sex bias challenge

By Raymond Hughes, Law Courts Correspondent

UK COURTS cannot be stopped from dealing with complaints of sex discrimination in employment by a mere assertion by a government minister that the discrimination is justified on national security, public safety or public order grounds, the European Court of Justice in Luxembourg ruled yesterday.

An EEC equality directive requires that anyone with a complaint of sex discrimination is entitled to air his grievance in court. That meant, the Luxembourg judges said, that evidence about the national security factor had to be given to the court, which could then make up its own mind about whether the discrimination was justified.

The ruling, which will be closely studied in Whitehall, was made on a challenge that followed a decision by the Chief Constable of the Royal Ulster Constabulary (RUC) to ban women officers from carrying guns.

Because of the ban, and the fact that there were sufficient women officers to carry out general duties, the contract of a woman member of the RUC Reserve was not renewed.

Her complaint to a Belfast industrial tribunal that she was the victim of sex discrimination was halted by a certificate from the Northern Ireland Secretary stating that she had been refused further employment with the RUC on national security, public safety and public order grounds.

Under the 1976 Sex Discrimination (Northern Ireland) Order, such a certificate is conclusive evidence and no further justification can be demanded.

The European Court said that the equality directive allowed women to be excluded from certain jobs for their own protection, particularly on grounds of pregnancy or maternity. However, the court said, that did not mean they could be excluded from employment "under the guise of protection."

The case will now go back to the Belfast industrial tribunal which will be able to call for evidence of the basis for the minister's national security justification for the refusal to re-employ the woman.

Minister says Tories paying price for high unemployment

BY MARK MEREDITH IN PERTH

MR MALCOLM RIFKIND, the Secretary of State for Scotland, yesterday made a frank acknowledgement of the Conservative Party's current unpopularity with voters.

"We cannot conceal or hide the fact that we have lost support, that we have lost ground, over the last few months and over the last year or so," he told the Scottish Conservative Party at its annual conference in Perth.

Heavy Tory losses in last week's regional council elections brought the party's support to a low ebb in Scotland and presented Mr Rifkind with a formidable task to rally Tory representatives. His approach was to accentuate the positive.

Unemployment, he said, was not a question of the completion of a

particular government.

"Any government in office at a time of high unemployment inevitably pays a political price for it," he said. "But at a time when we see unemployment at 25 per cent in Socialist Spain and at unprecedentedly high levels in France, Belgium and Germany, then we are entitled to say that the complexion of the government in question - whether Conservative, Socialist, Liberal, Christian Democrat or whatever - can clearly not be the cause of this phenomenon."

Mr Rifkind said party followers should ask critics to be specific with their complaints and he listed the Conservative achievements in youth training, housing and health care.

"We have to accept that in certain respects our policy on public expenditure has created misunderstanding and led to possible loss of political support in certain areas," he said.

It was absurd, Mr Rifkind added, of critics to say that somehow Prime Minister Margaret Thatcher presented a problem for Scottish Tories and he pointed to her two past consecutive election victories.

Lord Young, the Secretary of State for Employment, echoed Mr Rifkind's assertion that Britain's unemployment problem was one shared by the rest of Europe.

He pointed to positive results from the Government's restart programme initiated this year at Job Centres.

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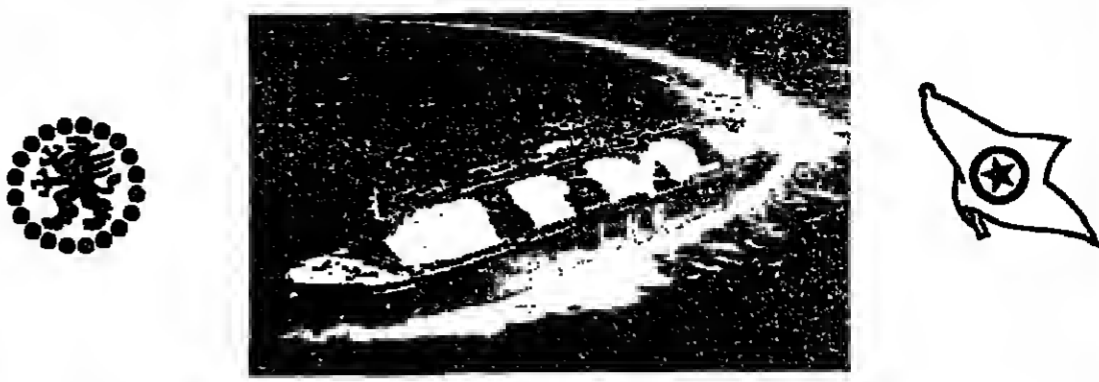
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Other speakers yesterday were Mr Robert Tyrell, managing director of the Henley Centre for Forecasting, and Dr Russell Schiller, head of research at Hillier Parker May and Rowden.

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This announcement appears as a matter of record only



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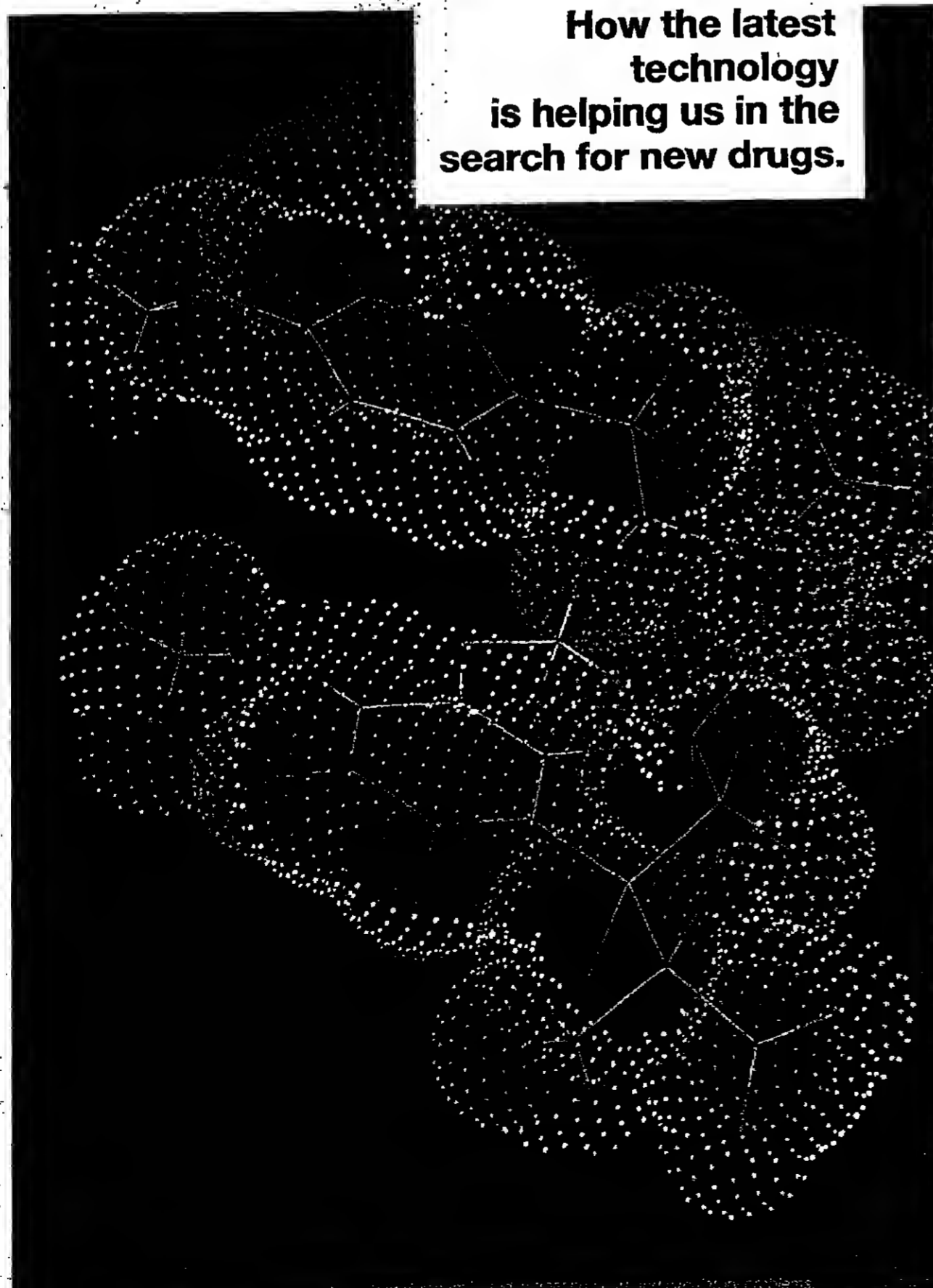
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How the latest technology is helping us in the search for new drugs.



Even today we can cure only a third of the world's diseases. Developing a new drug involves manufacturing and testing the effectiveness of over 10,000 different substances. It's an expensive operation because a successful drug must not only be effective, but safe to use, as well.

One particular problem always arises when developing any new drug: at the site of action, the active molecule is confronted by a complex structure into which it must fit like a key into a lock.

However, as very little is known about the exact shape of these molecular "keyholes" and since predicting the dimensional structure of any new substance is extremely difficult, success is not often achieved.

However, the increasing use of the computer is breaking new ground in drug research. A computer can plot the dimensional structure of a molecule in advance and even the most complex molecular structures can be dis-

played three dimensionally on a screen. The computer then attempts to relate agency to structure from the known structural data of chemical compounds and the results of biological tests.

This new and exciting development is still in its infancy.

But harnessing the power of the computer brings us closer to our prime objective of improving known treatments and discovering new ones. Our research programme has developed techniques in which a range of scientific disciplines are brought together in a manner which transcends the traditional restrictions.

Now chemists, doctors, pharmacists, physicists and computer experts are working with us and beginning to achieve major breakthroughs.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Corporate Renewal

How saturation training has focused the mind to dramatic effect

Christopher Lorenz concludes his series by explaining how crucial was management development to the UK computer company's revival

MANAGEMENT education does different things for different people. Roger Hill makes no bones about what it did for him. "It plunged me into total despair."

Hill is the marketing director of ICL UK, and was one of the first to undergo the trauma of ICL's challenging development programme for senior managers. "It blew my mind at the huge gap between where we were and where it showed we needed to be. I came off it totally hooked on what had to be done, but even more desperate than before at the fact that ICL was in trouble but didn't realise it."

Hill is one of many senior ICL executives who have been deeply affected by the company's week-long programme on "managing strategic capability." Launched in early 1984, about 180 of ICL's senior cadre have since attended it, 20 at a time. Nearly 1,600 less senior managers have been on one of the three lower tiers of ICL's "Management Programme," the overall title for all four courses.

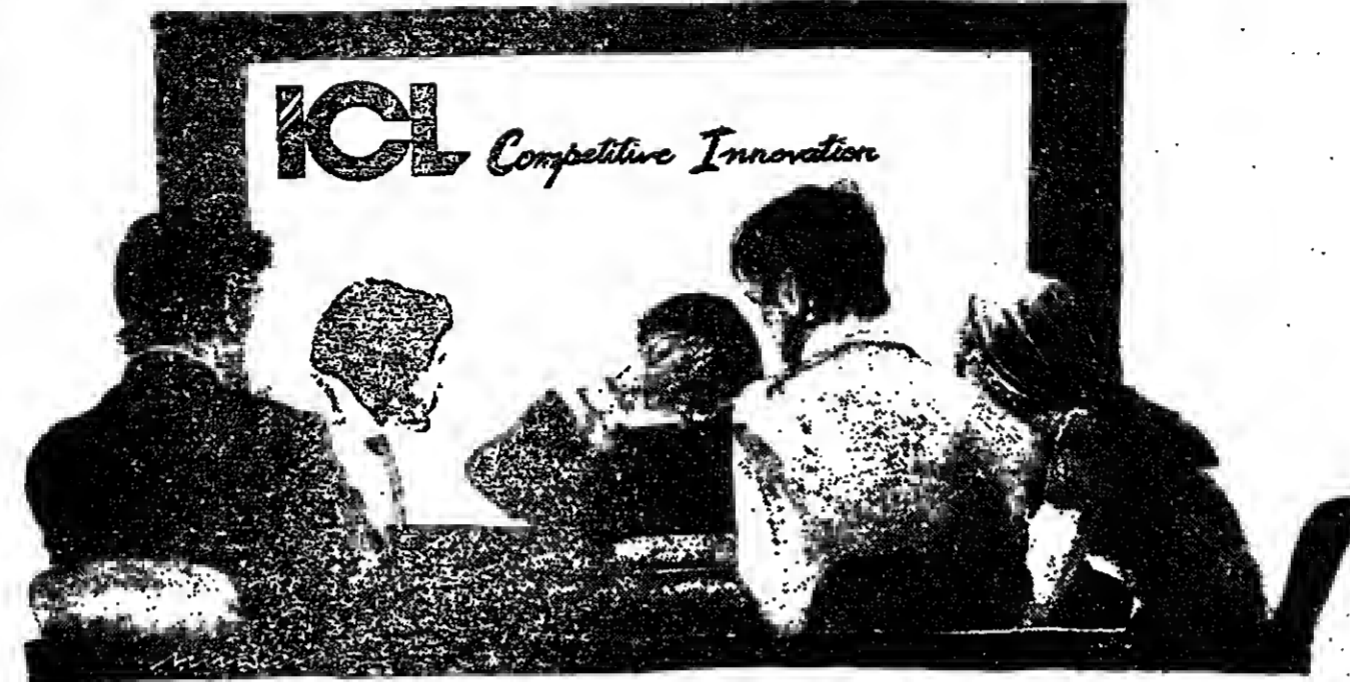
The programme was outlined in earlier articles in this series, was to give a dramatic lift to ICL's competitive performance. After its emergence from near-bankruptcy in 1981-82 the company had gone through an organisational and leadership hiatus which only began to be resolved in late 1983 with two fundamental decisions: to replace the old functional organisation by a decentralised, matrix structure based on "business centres"; and to create an ambitious management education drive which would force a sea-change in managers' attitudes to the company, its customers, its competitors, its strategy and its organisation—which would, in short, lift it to a much higher level of competence.

and countries, most of whom had never even met before. "It has created much more cohesion in the way we all deal with strategic and organisational issues," agrees Don Beattie, ICL's personnel director. Jean-Claude Albrecht, who heads ICL's operations in France and southern Europe, is equally complimentary. A former IBM executive, and therefore one of the few people at ICL who can make a first-hand comparison with the famously high quality of management programmes at "Big Blue," he says the course "was one of the best I've ever attended."

One of the reasons why the top-level programme has had such a dramatic impact on participants was its unusual design: ● The academic team first immersed itself in ICL and its problems for several months; ● The course focused on key industry issues and strategic concepts, rather than on the latest management techniques; ● It was attended by virtually all ICL's senior managers in less than 18 months. Many companies just send a few managers away each year to general purpose business school courses.

The three lower tiers of courses, which were launched at roughly the same time, were also designed to give a sharp jolt to everyone's perceptions of what it would take to stay competitive in the international electronics industry through the late 1980s and beyond. All four levels aim to give our managers a much wider strategic picture," says Ray Fields, the "champion" of the education drive.

To back up these broad programmes, a full set of strategic thinking and organisational capabilities behind the competitive success of Japanese companies has attracted widespread attention over the past 12 months, among business people as well as in the academic world (see "The dangers of home comforts," and "How the Japanese write their own rules of the game," this page, July 24 and October 11 1985).



On all counts, the "strategic capability" programme seems to have justified its grand name

who in 1985 rejoined the Boston Consulting Group.

Prabalad and Hamel's far-reaching analysis of the strategic thinking and organisational capabilities behind the competitive success of Japanese companies has attracted widespread attention over the past 12 months, among business people as well as in the academic world (see "The dangers of home comforts," and "How the Japanese write their own rules of the game," this page, July 24 and October 11 1985).

One of their central arguments is that most western companies have failed to master the techniques of competitive innovation—that is, finding new ways to compete which catch their adversaries off guard. The duo also complains that many western companies have still

not come to terms with competing to a global marketplace.

Just as dangerously, say Prabalad and Hamel, they tend to content themselves with following just one so-called "generic strategy," such as low-cost leadership or differentiation. The Japanese, on the other hand, build several layers of competitive advantage upon each other, including organisational effectiveness. Nor do many western companies possess a clearly expressed and consistent long-term "strategic intent" that focuses the energies of the company, and yet lets it behave flexibly and opportunistically.

By using case studies of a couple of companies which practice this daunting set of practices, though in very different ways (IBM and Matsushita), and of

others which have manifestly failed to do so (such as EMI), the "Stage 4" programme provides a clear target of how a strategically capable organisation should operate in the fast-moving and complex electronics industry.

The course also demonstrates the means by which this target can be reached; it suggests, for example, how managers can grapple with all the unpredictability of young, turbulent industries; it sensitises them to the need to link strategy, planning and organisation; and it proffers ways of managing organisational change in a company as complex as IBM (or ICL).

This emphasis on organisational capability is stressed over and over again on the course. "The job of the general

manager should have as much to do with organisation as with strategy," argues Gary Hamel. "Most managers still think that organisation design should be a staff function."

Not surprisingly, perhaps, in view of IBM's dominance of the computer industry, the subject which always provokes the most controversy on the course is IBM's corporate values and organisation processes. "Most ICL managers have perceived IBM's competitive advantage only in terms of its technology, rather than in its way of organising people," says Hamel.

But how much impact can any one-week course make, no matter how high its quality? In order, as Hamel puts it, "to weave a thread of shared perspective right through ICL's senior management," videos are

made of every presentation by the working groups on each course. Videos from past courses are then viewed by the next set of participants. "The presentations on the first three programmes were very backward-looking, concentrating on what the company had done wrong," says Gill Ringland, manager of ICL's office systems business centre, who took part in the seventh programme in late 1984. "By the fourth one, things had improved and people were beginning to look to the future."

The immediate impact of the programme has been reinforced in several ways. The academics have been called in several times by ICL's executive chairman, Peter Bonfield, and by other senior managers, to run special educational sessions on particular issues. The academics also conducted a number of consultancy assignments, including helping adapt ICL's strategic planning process to take account of their concepts of global competitiveness and organisational capability, so that they become deeply embedded in ICL's procedural woodwork.

All the same, the programme has been so successful and has excited such a high level of expectation of the organisation's new ability to perform, that many senior managers are now calling for a more orchestrated series of follow-up courses and meetings for staff beneath them. Bonfield himself is acutely aware that "you have got to reinforce these things about every six months — otherwise expectations are frustrated and the effect disappears." A decision will be made in the next few months about how best to follow-up the Stage Four teaching. "There is likely to be some input from a special research project now under way into the challenges that European computer companies will face in the 1990s."

Roger Hill's own follow-up to his desperation back in 1984 was characteristically direct. "I saw that the key to changing the organisation's performance was to change the organisation," he says. "Within a few months he had begun the process of focusing the attention of ICL's own salespeople onto about 1,000 strategically important customers in specialised markets. "Until then these customers had been under-resourced," concedes Hill. It was a costly reorganisation.

"I could never have created the thought process that gave me the confidence to do it if I hadn't attended 'Stage Four,'" Hill claims. He considers that the change was responsible for much of last year's near-90 per cent surge in ICL UK's intake of orders.

On the other side of the organisation matrix from Hill's geographic sales company, the manager of ICL's retail business centre, John Davison, credits the Stage Four programme with two main changes in the way he runs his organisation. "I carry these two thoughts around in my mind all the time now — they create the pattern of work here," he says. First, "it crystallised my realisation that different companies need different organisational approaches at different stages in their development. It helped me get people's hearts and minds behind the need for change, and it taught me to put a lot more time and effort into preparing for it. It also taught me to be more patient — change sometimes has to be engineered progressively, not suddenly."

Second, "I understand clearly for the first time how the Japanese approach global markets, and what the strategies of the companies we deal with are likely to be." As the chief coordinator of much of ICL's fast-growing business in computer terminal systems, Davison has forged quite a number of collaborative ventures in the past few years — some of them with Japanese partners.

"We now have strategies that anticipate their tendency to move into the market alongside us," he says. For understandable reasons, Davison prefers not to elaborate. But Peter Bonfield speaks for the whole of ICL when he says that Prabalad, Hamel and McKee's work has prompted ICL to take much more care in the management of collaborative ventures. "We are forcing people to look at the issue much more clearly, including asking themselves the question 'What are you going to protect yourself?'"

Even if the "Stage Four" programme had done nothing more than teach ICL not to fall into the common western trap of becoming prey to its Japanese partners, it would have been worth the investment. But it has done very much more besides. If ICL continues to survive against the odds as a small but capable player in the fast-changing global electronics industry, it will be partly thanks to those week-long traumas which Roger Hill and co suffered in 1984 and 1985.

Previous articles in this series appeared on Monday and Wednesday.

Company Notices

UNILEVER N.V. DIVIDEND ON CERTIFICATES FOR ORDINARY CAPITAL ISSUED BY N.V. NEDERLANDSCH ADMINISTRATIE-EN TRUSTKANTOOR. Final dividend payments in respect of the year 1985 will be made on or after 27 May 1986 as follows: SUB-SHARES OF FL.12. IN THE NAME OF MIDLAND BANK EXECUTOR AND TRUSTEE COMPANY LIMITED...

PROVINCE DE QUEBEC Loan FF 125 000 000— 7 1/2% - 1972/1987 Bondholders are hereby informed that the redemption instalment of FF 15,000,000 due on June 15th, 1986 has been met by a draw by lot in the presence of Madame Jeanne Housse, Notary Public in Luxembourg...

THE FINANCIAL TIMES is proposing to publish a Survey on THE WATER INDUSTRY July 9 1986 For further information, please contact: MARK FISHER on 01-248 8000 ext 3389 Publication date is subject to change at the discretion of the Editor

FT FINANCIAL TIMES CONFERENCES The 1986 World Motor Industry Conference - Vehicle Distribution and Marketing Geneva, 28 & 29 May, 1986

Distribution and marketing have been less effected than other functions by the dramatic developments sweeping across the motor industry. This is due to change as so major, a cost centre comes under increased scrutiny and the 1986 FT Motor Conference is devoted exclusively to this significant and increasingly topical subject.

- Mr Paolo Bernadelli Vice President, Sales & Marketing Fiat Auto SpA
Mr Walter Frey President Emil Frey AG
M. Gabriel de Berard Group Director Europe - Aftermarket & Communications Bendix Group
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FROM APRIL 12TH One-terminal simplicity at Heathrow to and from South Africa SAA move to Heathrow Terminal 1. For air travellers connecting with other airports throughout the UK, Ireland and Europe, SAA offer one-terminal simplicity at Heathrow Terminal 1. Whether you're flying to South Africa. Or flying back. More non-stop flights. Plus far and away the best wine on the route, says Business Traveller Magazine (World Airline Wine Survey). More than ever, SAA is the No. 1 way to South Africa.

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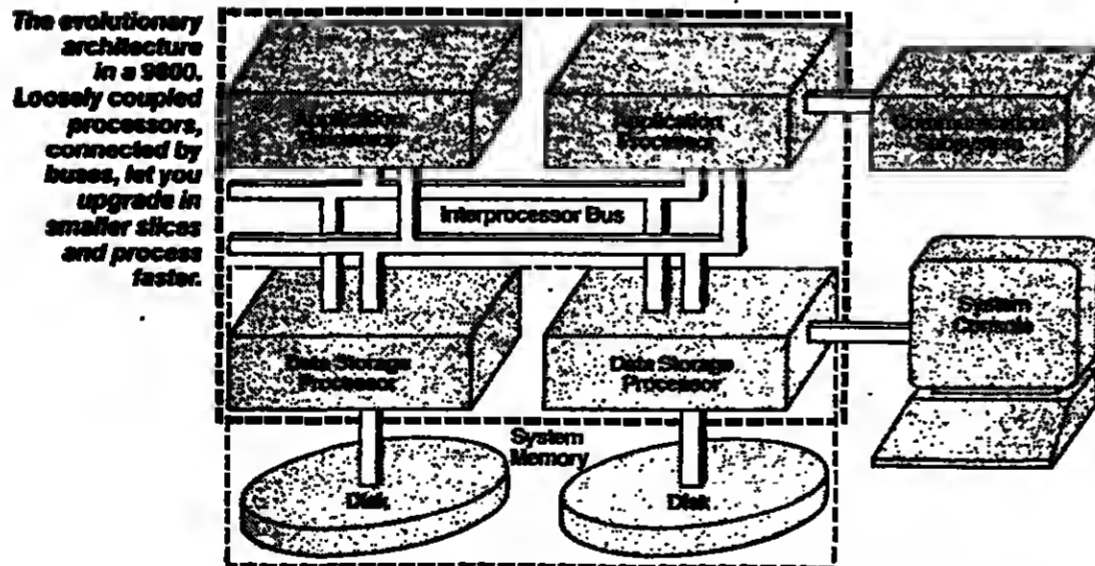
BEGIN AT THE BEGINNING.

Say you're a manufacturing company and you need a computer to control your production.

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The secret is architecture.



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THE ARTS

Arts Week

F | S | Su | M | Tu | W | Th

16 | 17 | 18 | 19 | 20 | 21 | 22

Exhibitions

LONDON
The Hayward Gallery: Falls The Shadow - this year's Hayward Annual for the first time extends its view of contemporary art from Britain into Europe. The Arts Council's guest selectors, Barry Barker and Jon Thompson, taking a hint from T.S. Eliot's ambiguous poem of the mid 1920s, 'The Hollow Men', abandon the principles of avant-gardism in favour of a more open and catholic modernism. The result is an elegant, difficult and fascinating anthology. Ends June 15.

PARIS
From Rembrandt to Vermeer: 60 chefs d'oeuvres on loan from the Mauritshuis trace a panorama of 17th-century Dutch painting with Vermeer's View of Delft with genre paintings, still lifes and landscapes. Grand Palais. Ends June 30. (42613410).

Roma - The Nine Faces of Indian Art - A hundred sculptures in stone, bronze and terracotta and some 200 miniatures are divided into nine groups according to the sentiment they express: the erotic, comic, pathetic, heroic, terrible, furious, hate, marvelous and finally the serene, thus making Indian art intelligible to Europeans. Many of the sculptures have been only recently discovered, while most of the miniatures are seen for the first time. Grand Palais (42613410). Closed Tue, Wed late opening. Ends June 16.

At the Court of The Great Moghul: A parallel exhibition of Indian miniature collections, which have never been exhibited before. Bibliothèque Nationale, 58 Rue de Richelieu from 12am to 6pm all days. Ends June 16.

Dutch and Flemish paintings from the 16th and 17th century: The 15 choice works represent the quintessence of Flemish art. There are the still lifes with fruit or flowers as true to nature. There are the peasants harvesting and drinking with equal gusto, painted by Pieter Bruegel the Younger in glowing colours and a vigorous line, as well as his misty winter scene with skaters, snow-covered roofs and black crows in bare branches. Jan Bruegel the Younger shows a crowd of villagers on a quayside. De Jonghebre Gallery, 21 Quai Voltaire (42612014). Ends May 26.

19th century pastels: A renewed, reinvigorated use of the pastel crayon technique, in complete break with its genteel 18th-century tradition, gives a sense of immediacy to Delacroix studies, to country scenes by Millet and portraits by Manet. It catches the movement of Degas dancers and women at their toilet and lights up Rodon's inner visions. The Louvre, Pavillon Flore (42615410). Ends June 9.

Marie Laurencin: After a short flirtation with Cubism, Marie Laurencin, Apollinaire's love and Cocteau's friend, creates an enchanted world of adolescent girls. The unchanging face, oval shaped faces with expressionless eyes, the ethereal bodies amid flowers and floating pink and blue gazons could easily become toy figures for the aura of Sapphic mystery. Gallery Malingue, 28 Ave Matignon (42663633). Ends June 21.

WEST GERMANY
Düsseldorf: Kunstverein Grabbeplatz: 4 Josef Beuys water colours from a private collection. 250 paintings by the artist, who died in January, are shown for the first time. The exhibition covers the period from 1952-69. Ends May 25.

Tübingen: Kunststhal: Philosophenweg: Pablo Picasso. A retrospective of 200 masterworks: Pastels - Paintings - Aquarelles. This unique exhibition covers the period from the early years who has lived in Cologne before the war (1881-1973). It also displays his great variety of works on paper for the first time. Ends May 25.

Berlin, Nationalgalerie, Potsdamer Straße 50: Gerhard Richter. A retrospective of 100 oil paintings by this East German who has lived in Cologne since 1983. The works cover 1962-85. Ends June 1.

Berlin, Akademie der Künste, Hansatenweg 10: Life Or Theatre? This exhibition displays 250 gouaches by Charlotte Salomon. She died, aged 28, in Auschwitz. Ends June 15.

Bayreuth, Iwalewo-Haus, Mühlengasse 9: Art and Culture from the Congo and Zaïre. About 300 paintings, cult and practical objects from the Colonial period to today. Ends June 29.

Hamburg, Kunsthalle, Glockengießerwall 1: Renaissance of the North. 110 German and Dutch paintings on loan from the Paris Ecole des Beaux-Arts. Among the artists are von Bouts, Dürer and Goltzius. Ends June 29.

BRUSSELS
Musée Royale d'Art et d'Histoire: Taiwan-based painter Wong Liu-Sang. 40 paintings, of which 10 are by his pupil Chen Stan-Nan form this painter's first European exhibition. The artist will demonstrate traditional Chinese painting on June 18. Ends June 29.

ITALY
Florence: Museo Nazionale del Bargello: Homage to Donatello: to celebrate the 6th centenary of his birth the 19 Donatello museum owns, of which only six are of absolutely certain attribution, have been

grouped, with much documentation, to give a new view of the artist. The exhibition includes his extraordinarily languid bronze David. Ends May 30.

ROME: Palazzo Braghi (Piazza San Pantaleo): Edward Munch (1863-1944): More than 250 works by the Norwegian painter from the Munch museum in Oslo and private collections. Death and illness became a dominant theme in Munch's works: Subjects such as Death in The Scream are reworked in oil, charcoal and pastel - each seeming more compelling than the last. Also on show is his extraordinary work The Scream painted in 1893, in which the scenery becomes a vortex for the central, anguished figure. During the 1890s, Munch moved away from realism and impressionism (there are three delightful paintings on show of Nice and St. Cloud) towards expressionism, a style which is used to express not only desolation, but also lyricism and passion. Ends June 1.

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exploit technology, and to try to convey technology on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

NETHERLANDS
Amsterdam: Van Gogh Museum. 90 Whistler etchings from the Zeeman collection follow the career of the brilliant eccentric from his Paris period, through the penetrating observation of London's dockland, the tranquillity of the Venetian set, and closing with the late, dreamlike impressions of Amsterdam. Ends June 8.

SPAIN
Madrid: Contrasts of Forms. Abstract and geometrical art sponsored and recently exhibited at Moma, New York. 150 works by 20th century artists set out chronologically, offers a coherent display 1908 which Brno Leger, Piet Mondrian, Bibliotheca Nacional, Paseo de Recoletos 22. (435 40 03). Ends June 30.

Madrid, Claude Monet (1840-1926): The greatest living French artist, as he was called, was an innovator who revolutionized the course of modern painting by playing a leading part in the creation of a new artistic movement: impressionism. 125 paintings on loan from private collectors and museums from all over the world will offer a good overview of his different artistic periods with a prominent representation of his most famous period at his home at Giverny. Meac - Museo Espanol de Arte Contemporaneo, Avenida Juan de Herrera 2. (449 71 50). April 29 - end June.

Barcelona, Max Ernst retrospective includes 125 works of the dadaist

and surrealist painter. Fundación Joan Miró, Parc Mootjuic, Ends June 22.

VIENNA
Jewellery from 1900-25: A selection from the Museum of Applied Arts extensive Art Nouveau jewellery collection not usually on display. The museum began its collection in 1900. Ornamental combs by René Lalique, enamel and ivory pieces by Gaillard, and beautiful jewellery using glass and semi-precious stones by the Belgians Van de Velde and Philipp Wolfers. There are also pendants, lockets, brooches, necklaces, belt buckles and rings from the masters of the Wiener Werkstätte: Hoffman, Moser, and Czechka - many on public view for the first time. Applied Arts Museum, ends June 8.

NETHERLANDS
Amsterdam, Concertgebouw. Anton Kersjes conducting the Netherlands Philharmonic with Miriam Fried, violin. Beethoven (Tue). The Concertgebouw Rundfunk under Heinz Gese and Jan Stille, with vocalists, Nicolai Lortzing, Offenbach, Lohar (Thu), (71 83 45).

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Music

PARIS
Novel Orchestre Philharmonique de Radio France and the Radio France choir conducted by Marek Janowski. Schumann scenes from Faust (Tue, Thur). TNP-Châtelet (4233 4444).

Murray Perahia, piano: Schumann, Britten, Berg, Beethoven (Wed). Théâtre des Champs Elysées (4723 4777).

Groupe Vocal de France conducted by Michel Tranchant: Debussy, Xenakis, Huges Dufourt (Wed), Centre Georges Pompidou, Grande Salle (41 26 12).

Suzanne Chaisemartin, organ: Franck, Tournemire, Jean Langlais, Marcel Dupré (Thu). Sainte-Clotilde Church (4524 1518).

Merles, piano, and Ensemble Orchestral de Paris, soloists: Mozart (Thu). Salle Gaveau (4593 2930).

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bert de Leeuw, with Dorothy Dorow, soprano. Dallapiccola, Webern, Schönberg (Wed). The Mendelssohn Trio, with Isabelle van Keulen, violin. Beethoven (Thu). (21 45 44).

LONDON
London Sinfonia Chamber Orchestra conducted by David Jostkowitz with Mayumi Fujikura, violin. Mozart. Queen Elizabeth Hall (Mon). (293 3191).

Philharmonia Orchestra and Chorus conducted by Simon Rattle with Elisabeth Söderström, soprano. Poulenc, Messiaen and Ravel. Royal Festival Hall (Mon). (293 3191).

English Chamber Orchestra conducted by Raymond Leppard with Cho-Liang Lin, violin. Stravinsky, Mozart, Saint-Saëns and Mahler. Barbican Hall (Mon). (293 3881).

Northern Sinfonia of England conducted by Richard Hickox. Wagner, Schumann, Corvill and Prokofiev. Barbican Hall (Tue).

London Mozart Players conducted by Jean Glover with John Lill, piano. Mendelssohn, Schumann, Prokofiev and Mozart. Royal Festival Hall (Wed).

Philharmonia Orchestra conducted by Giuseppe Sinopoli with Barry Tuckwell, horn. Haydn and Strauss. Royal Festival Hall (Thu).

London Symphony Orchestra conducted by Yehudi Menuhin. Beethoven and Brahms. St. John's Wood Church. (293 3191).

Rachmaninov. Barbican Hall (Thu).

SPAIN
Barcelona, Musica Antigua Festival continues: Monday: Gothic voices conducted by Christopher Page. Wednesday: Joan Miguel Morcillo playing vihuela and guitar. Centre Cultural de la Casa, Sala del Teatre, Plaza del Rey (301 41 94).

Leipzig: Philharmonia Orchestra Monday, Mendelssohn's Poltischeρω, Tuesday, Seville's Iglesia del Salvador; Wednesday: Coligny; and Thursday, Beethoven's Concert de la Musica Catalana, Amadeus Vives I. (317 99 82).

VIENNA
Jedlik Williams, soprano, Ruth McGuire, organ, Bach, Handel, Mendelssohn: Karlskirche (Mon). Alban Berg Quartet with Elisabeth Leonskaya, piano. Haydn, Bartok, Schumann, Korczak: St. Peter's Basilica (Tue 12.11). (Tue and Wed).

TOKYO
Honore Frenscholtz (piano): Scialoja, Ravel, Brahms. Tokyo Bunko Kaikan Recital Hall. (Tue) (327 9900), (328 0000).

Dennis Beal (piano): Beethoven, Brahms. St. John's Wood Church. (293 3191).

Trijan Women and local groups like the Body Politic - doing Gary Keston's The Hitch-Hiker and the Immediate Theatre doing Lillian Hellman's Another Part of the Forest. Ends May 25. (948 3876).

TOKYO
Our Japan, Our Summit (in English): A review by Allison Buckley of two resident professional English film-makers. The film-makers and their immediate Theatre doing Lillian Hellman's Another Part of the Forest. Ends May 25. (948 3876).

LONDON
Lead Me A Tender (Globe): Fresh and inventive, operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verity O'Leary carries on her own. (377 1592).

Bliss Spick (Vanderbilt): Excellent revival of Noel Coward's smart comedy about a novelist harassed by his second wife and haunted by his first. First-time Old Times owes a lot to this play, well directed by Peter Farago, acted without undue American reverence by Simon Cadell, Joanna Lumley and the alabaster beautiful Jane Asher. (336 9977).

When We Are Married (Whitehall): Making comic playing from an all star cast in Priestley's comic war house about silver wedding anni-

versaries undertaken by an incompetent redecoration. Bill Fraser is a drunken, self-indulgent photographer and the comic is led by Timothy West and Emma Stener. The 1920 theatre has been beautifully renovated. (292 7761).

Notes On (Savoy): The funniest play for years in London, now with an improved third act. Michael Elsom's brilliant direction of back-to-back scenes on the life and loves of a divorcing couple is a key factor. (336 8882).

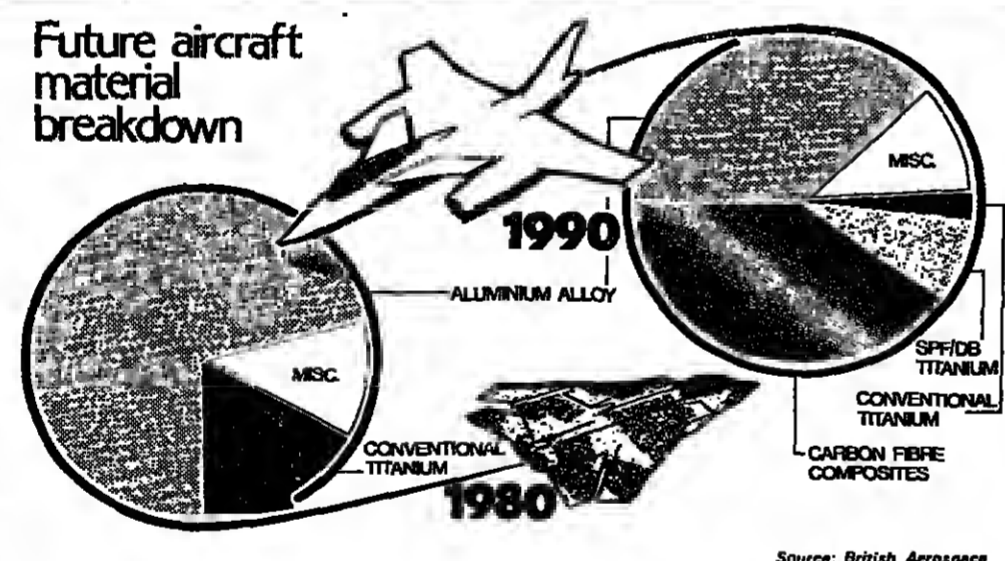
Starlight Express (Apollo Victoria): Andrew Lloyd Webber's roller-skating musical on the life and loves of a divorcing couple is a key factor. (336 8882).

London (Astrak): A not too critical review of a major production of Jim Lenson, that is enjoyable especially for the musical responsiveness of the cast and Mark McLennan. (734 5287).

Continued on Page 17

TECHNOLOGY

Future aircraft material breakdown



Material changes in the way aircraft are built

WHEN the £180m joint Government and industry Experimental Aircraft Programme (EAP) makes its first flight next month from British Aerospace's Warton, Lancashire, airfield, it will be the culmination of a research and development venture lasting several years, and designed to prove the capabilities of the UK aerospace industry across a wide range of advanced technologies.

These cover three broad areas:
 • Advanced structural design manufacturing techniques, including the extensive use of carbon fibre composites and other advanced materials.
 • The "fly-by-wire" system of electronic control of an aircraft in flight to ensure extreme agility in combat.
 • Development of an advanced electronics cockpit aimed at relieving the work-load on the pilot, enabling him to devote more time to fighting rather than flying.

All three areas, although initially of vital significance in military aircraft, also have far-reaching long-term consequences for civil airliner development.

The EAP is effectively a "technology demonstrator," and not a prototype fighting machine. It is the only aircraft of its kind in the UK - there is no plan to build a second aircraft. A successful flight test programme is thus critically important, for hopefully it will prove the viability of the technology areas over recent years is on the right track.

Although the EAP was not intended specifically to be the prototype of the projected European multi-national combat aircraft, now called the Eurofighter, it will demonstrate many of the materials and other technologies to be incorporated in the latter aircraft, and will effectively stand in loco parentis as a flight test vehicle until the first Eurofighter prototypes themselves become available around the end of this decade.

Many companies in the UK aerospace industry have been involved on EAP, including not only the Military Aircraft Division of British Aerospace and Rolls-Royce (whose RB-199 engines power the aircraft), but also Dowty, Ferranti, GEC Avionics, Lucas, and Smiths Industries, together with companies in Italy and West Germany.

panels and doors, cockpit floor structures and side panels). BAE says that whereas in 1980, in aircraft such as the Tornado, aluminium alloys accounted for nearly three-quarters of military airframe structures, with conventional titanium alloys and other materials accounting for the rest, by about 1990, when the Eurofighter becomes airborne, close to one-half of the structure will be in CFCs, matching if not exceeding the volume of aluminium alloys, with titanium and other materials making up the remainder.

The EAP is intended to demonstrate the validity of such changes, including the use of so much CFC material in a military airframe, subjected to severe stresses and strains in flight.

The advantages of CFCs include a reduction of up to 30 per cent in manufacturing costs, due to a reduction in the number of detailed parts; an increased strength-to-weight ratio to those parts; a reduction in the volume of waste materials; and the ability to produce large, complex, curved shapes as required in advanced military aircraft.

This does not mean that metals are on the way out: far from it. Titanium will still be used in both the EAP and Eurofighter, together with metal alloys such as aluminium-lithium, which has a higher degree of strength and stiffness than other aluminium alloys, but with a substantial saving in weight and a high level of

corrosion resistance. Allied with these new materials are new methods of handling them, such as superplastic forming and diffusion bonding, as developed by BAE specifically for aircraft work.

Superplasticity is a phenomenon occurring when metals with a suitable micro-structure (such as certain alloys of aluminium, titanium and steel) are heated to about 90 per cent of melting point, when the metal can be formed into the complex shapes needed in aircraft structures.

The advantages of superplastic forming include a reduction in the number of detailed parts, with reduced manufacturing and assembly times, and thus reduced costs; considerable weight savings; and increased damage-tolerance and repair capabilities.

Similarly, diffusion bonding involves joining titanium alloys at critical temperatures so as to produce complex shapes that are competitive in both terms of cost and weight with carbon fibre composites and conventional aluminium alloys.

Smoothing these develop-

ments BAE has evolved a major advanced manufacturing technology programme that includes not only the extensive use of computer aided design and manufacturing techniques (CAD/CAM), but also extensive automation in numerically controlled machining - enabling the manufacture of complex parts up to 15 times faster than by conventional methods - and the automation (including use of Robotics) of other processes from the receipt of raw materials through to production of finished parts for direct assembly on the aircraft.

These systems in turn can reduce manufacturing times by up to 80 per cent, cut unit costs by 10 to 70 per cent, reduce the amount of work in progress at any one time by up to 90 per cent, and thus substantially reduce the amount of material stocks held.

The second major area of EAP advanced technology, fly-by-wire, is a system of controlling an aircraft's manoeuvrability in flight by electronic, instead of mechanical means, so as substantially to enhance its agility, which is vital in any combat aircraft.

Instead of conventional wires, rods and pulleys to move the control surfaces, or wings, rudder and tailplane, electrical signals are sent to actuators which in turn move those surfaces. The control surfaces themselves, and even entire wing aizes, can be made smaller because they are more efficient, which in turn leads to reduced

drag, requiring smaller, lighter engines burning less fuel to do the same job.

Until the arrival of high-speed on-board computers, this was but an aircraft designer's dream. Now, with fly-by-wire and the changes in aircraft design that can result from its use (called control-configuration), the pilot can manoeuvre his aircraft to the limits of its airframe strength without getting into difficulties, resulting in substantially improved agility. The system has been proved in a BAE Jaguar flying test, and is now being incorporated on the EAP.

Although primarily of immediate value in military aviation, fly-by-wire also has considerable potential long-term benefits in commercial aircraft, where although computer aided design of aircraft manoeuvres is not required, a reduction in pilot workload is of considerable significance, as are the structural weight savings that fly-by-wire generates.

Further significant advantages in flight control can be derived from the introduction of advanced electronic flight decks, where multi-function displays, associated with computer-aided systems, reduce the mass of dials hither to employed, and make life more comfortable for the pilot.

Such displays provide far more comprehensive and immediately available (at the touch of a button) information for the pilot about his aircraft's systems, such as engines, hydraulics and fuel.

In the EAP, such displays are being carried well beyond those already employed in such aircraft as the Tornado, or even in those commercial aircraft where electronic flight displays and flight management systems are already employed (for example in the Boeing 757 and 767, and the forthcoming Airbus A-320).

As a result of combining all the technologies, the EAP is one of the most advanced aircraft in the world, and certainly in Western Europe (the French claim that its rival, the Dassault Rafale, also due to fly soon, embodies similar advances in technology), across the entire spectrum of aircraft design and manufacturing techniques, as well as in operational performance in flight.

Everything employed in the EAP will eventually be embodied in the projected Eurofighter, and even carried to further extremes, because the research in all these fields has not ended with the completion of the EAP. It will be continued at an accelerating pace as the Eurofighter itself is developed, to the ultimate long-term benefit of the military and civil aircraft developed in Europe.

Seiko system offers information at the twist of a wrist

WRIST INFORMATION is the latest micro-wonder from Japan, in which Seiko has developed ways of using a wrist-worn "terminal" in conjunction with a personal computer.

Known as the RC1000, the unit, the size of a large wrist watch, is plugged into the RS232C socket of a personal computer, allowing some 30 miniature "pages" of information each of 24 characters to be downloaded into the wrist unit in under 10 seconds.

Seiko describes this as "an ingenious way of carrying data which would normally be kept at home in a personal computer."

The RC1000 has various operational modes including "alarm" - displaying a user definable storage facility, a schedule alarm (reminders about times of meetings, flights etc), and a world time display for up to 80 cities.

Seiko is offering a similar system, the UC2000, which includes a specially-designed computer controller, in place of the PC, with two-way transfer of data between the two by electromagnetic induction instead of a cable. More in the UK on 0628 346553.

UK ENGINE MAKERS Perkins and Pethica have both announced new electronics applications.

Perkins Engines in Peterborough has set up a computer-based communications link with its customers and suppliers which will give a faster and more flexible response to engine orders and a closer liaison with the company's manufacturing system. The link will be used by Austin Rover, JCB, Caterpillar and Hyster are among the first users.

DANISH REFRIGERATION specialist A. Gramkow says it is now economical to reclaim refrigerant that would otherwise be wasted after test on refrigerator production lines.

The company offers purification systems working at 30 kg/hr, developed in conjunction with the refrigerator manufacturers (which have tested the systems). Gramkow says the fluid can be reclaimed to the same degree of purity as the freshly marketed product (that is, with a moisture content of less than 10 to 15 parts/million, without oil and non-condensable gases. Gramkow is in Sonderborg on 04 43 3636.

PRINTED BOARD computer-aided design (CAD) software is offered by KGB Micros, the Windsor, UK company which is also a major distributor of AutoCad, the US-designed top-selling CAD program.

KGB claims that until now, printed circuit board designers have had to use an expensive mtal or micro-based system to get a reasonable level of sophistication. The new software, called Hyboard, runs on the IBM XT or AT and costs £5,000 for all three program modules, covering circuit schematics, board artwork and automatic routing of the board conductors. More on 0753 850111.

ICL has a range of switches, network management software, supported by services for planning, design, implementation and training.

Called Osape, the system is aimed at large organisations with several geographically dispersed sites that need to be linked up for computing purposes. More on 01 788 7272.

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TV pictures in miniature from Marconi

CATHODE RAY tubes only 22 mm in diameter which can produce an 8cm wide vision picture, weigh only 100 grams and are under six inches long, have been developed by Marconi Osram Valve (MOV) company of London. The tube and power supply has been developed by Brandenburg, a British company which specialises in this field.

The small size and weight of the tube allows it to be mounted on a television set in a pilot's helmet for example, to provide him with flight data whatever the orientation of his head. The tube also has a low distortion display, is ruggedised and consumes only 10 watts from a 24 volt aircraft supply. MOV HQ in the UK is on 01-603 3431.

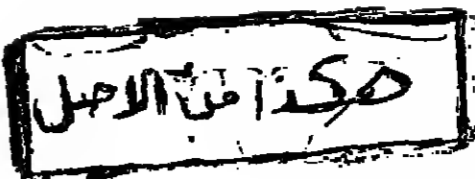


PRIVATE WIDE area networking is offered by Intercontinental Computers in the UK, based on the international X.25 standard for packet transmission and switching of data.

Dea

After the all the

THE ARTS



Cinema/Ann Totterdell

Dead ducks, dead fish and deadly sex

9 1/2 weeks directed by Adrian Lyne... Streetwalking directed by Joan Freeman... Slender Party Massacre directed by Amy Jones... The Hitcher directed by Robert Harmon... He Died With His Eyes Open directed by Jacques Deray... Clue directed by Jonathan Lynn

For sex on the screen to work it must be presented as a challenge, forcing audiences to confront not just cinematic images but their own image of themselves. Which is why directors like Bertolucci, Coppola and Boeg make films that transcend vulgar labels—not sex films but films about sex.

Set in a New York that is often richly unrecognisable under the photographic direction of Peter Biziou, the film's title refers to the duration of a love affair between reserved art dealer Liz (Kim Basinger) and John (Michael Rourke), a commodities broker with chic, cheek and an unorthodox personal life.



Kim Basinger in '9 1/2 Weeks'

ated his narrative and told us the truth. Instead we have 116 minutes (it feels longer) of lyrical emptiness punctuated for some inexplicable reason with constant peripheral references to animals; dependent dogs, predatory cats, dead mice and wooden hirs.

At least we are spared such pretensions in Streetwalking. At the opposite end of the social scale, Lyne's lovers, Cookie (Melissa Leo) is a naive provincial girl who runs away to New York after being abused by her stepfather and is easily drawn into a life of prostitution.

managed to turn the genre on its head or extract any sort of real revenge. Joan Freeman may survive to make a film with a little more dignity than Streetwalking—her rather dull story is at least handled with competence and at a stylish pace. Amy Jones's second film, Love Letters, has already opened here and confirmed her as a rather uninspiring director, even when she provides herself with better material.

A wide choice this week: sex, violence—or sex and violence. The Hitcher, yet another exploitation movie, comes into the second category. C. Thomas Howell plays Jim Halsey, a young man driving to California who picks up a hitchhiker (Rutger Hauer) and narrowly escapes being knifed by him. From then on it's a race against time to convince the authorities that there is an insane killer decimating the population with, of course, the evidence stacking up against the wrong man so that Halsey

Chess/Prince Edward

Michael Coveney



Elaine Paige and Tom Jobe

It is exactly 100 years since Steinitz crowned himself the first world champion of chess, and the sport that is Soviet Russia's chief pastime is now the subject of a decadent Western musical written by Tim Rice (lyrics) with Benny Andersson and Bjorn Ulvaeus (music), directed by the showbiz Shakespeare Trevor Nunn, lit by David Hersey and designed by Broadway's Robin Wagner (sets) and Theoni V Aldredge (costumes).

The first half is set in the Italian mountain village of Merano, the second in the hotels and temples of Bangkok. "The Sound of Music", in fact, would not be too sarcastic a description, for the cold war of a deb-bashing temperamental American and the warm, well-behaved Russian challenger is merely the background to a rather muddled romantic story involving Elaine Paige as Florence, the American second, who falls in love despite conflicting ideologies. Eton John's "Nikita" video said it all more pungently in five minutes.

The story was confusing on the original album—which contains two first class chart-toppers, "Bankok" and "I Know Him So Well"—and Mr. Nunn and company still fail to elucidate why the Russian wife of challenging Anatoly is such a pain; what exactly is the political manoeuvring behind the exchange of Florence's father as Florence's fiancé (she fled Budapest in 1936) for the Soviet redemption of Anatoly; or why Murray Head's histrionic mixed-up kid of a defeated champ should turn up in Bangkok as turncoat media commentator before feeding tips to Anatoly on his Indian defence.

In Bangkok, Anatoly is playing a new challenge (a Soviet nonentity whom we never see) having defected to England for love of Florence. In Mr Head's first act tantrums there are echoes of Bobby Fischer's behaviour in the 1972 championship, and elsewhere the plot contains obvious echoes of Karlov and Korcbnoi. But Korcbnoi's complaint never ran to reprising a lot of Abba-style deadwood recitative that only reminds one how good Jesus Christ Superstar was in that respect, and how dated and dramatically loert much of this sounds.

Unhindered by any such misgiving, Mr Nunn transforms the material into a fine spectacle of chorales, operatic domestic scenes, and elsewhere the plot contains obvious echoes of Karlov and Korcbnoi. But Korcbnoi's complaint never ran to reprising a lot of Abba-style deadwood recitative that only reminds one how good Jesus Christ Superstar was in that respect, and how dated and dramatically loert much of this sounds.

tured through the sound system. The stage lifts and tilts, the squares light up in bars and for the climactic all-Russian match, by now relegated to a diplomatic charade in the love triangle, the company assemble in severe black and white costumes intoning the names of past grandmasters through to Petrosian and Spassky. The one performance that stands out is Tommy Korberg's as Anatoly, an immediately sympathetic performance that free-wheels expertly through the Abba whirlwind of crashing chords sequenced to register a defiant cry on behalf of the patriotic exile. At such moments, of which there are too few, you recall that Mr Nunn's last anti-Soviet musical, Zorro (good. Boy Desrosiers (with Messrs Previn and Stoppard) gave impassioned expression to the dissident's plight.

The proceedings are monitored and supervised by Tom Jobe as an athletic Arbiter who at first coyly, then resignedly dresses again. The show then gets down to business: images, variations, arabesques and doodles on the meeting of the sexes. Miss Waldhor instructs her passive partner in various forms of embrace. When mistimed, these result in collisions. The links between miscellaneity, tenderness, hostility and the unbridled pratfall are emphasised throughout, notably by Simonne Moesen when, dressed as a bride, she attempts an erotic bravado while constantly slipping, sprawling and falling flat on her face. She somehow ends this turn banging 25 feet above the stage before sliding down the swing's rope, and illustrates the company's extra-

ordinary physical fitness and hair-raising precision of spatial judgment. This emerges brilliantly from the heart of the show. For a good 15 minutes the actors run round and round the stage, sometimes slapping at the punchbag that, suspended from the ceiling, is a mid-stage, seems to pursue them at a life of its own. The four ring variations on comradeship, rivalry, courtship, maturing. One couple finds fulfilment, via the trapeze, when he dangles upside-down by one foot and she looks on adoringly. The conclusion finds Miss Moesen la-la-la-ing forlornly in front of the Liberty curtain. Erick Clausens and Mark Willems are the men in the immensely likeable group. Jan Lauwers directs; and Geert Van Boxteler is credited with the physical training.

Lontano Ensemble/Elizabeth Hall

Paul Driver

The Lontano Ensemble has switched its base for the time being from St. John's, Smith Square to the Queen Elizabeth Hall. There, on Wednesday night, directed by Gedalio de la Martinez, it gave the first of a pair of concerts each comprising a piece by the young English composer Steve Martland and two other items: Constant Lambert's Concerto for piano and nine instruments and Richard Rodney Bennett's Jazz Calendar on Wednesday; Ravel's Chansons madoiselles and Boulez's Marteau sans Musique follow on June 2.

choppy rhythms she failed, for instance, to capture the magic of the last movement's final bars—a sudden dying fall of intense pathos. Nor was she much encouraged by the general interpretation of detail and structure: the English wistfulness, elegiac nuances, even the jazzy flourishes of the music would have had more effect if an even under-emphasised, more relaxed approach had been found. Instead, the main ideas came over as too literal or explicit, and slightly disoriented. The "Lagabre" character of the finale was grossly exaggerated. Steve Martland's American Invention—which had its premiere at last year's Aldeburgh

Festival—is a protracted exploration of Dutch-minimalist jabbing rhythms and the odd sustained chord for relief, scored for hole ensemble including rock-percussion and electric guitar. Compared with other Martland works I have come across (for example Remembering Lennon, to be heard in the next Lontano concert), this one seemed limited in scope and material. Jazz Calendar, composed in 1968, and a Frederick Ashton ballet score of the same year, occupied the whole second half with its pallid resumé of various jazz styles. Nothing classically-influenced, redolent of "crossover" here—just castrated pure jazz.

Les Grands Maitres/Festival Hall

Dominic Gill

The last of the Royal Philharmonic Society's concerts under the collective title of "Les Grands Maitres Français" was played on Wednesday evening by the Bourne-mouth Symphony Orchestra under Louis Fremaux. It has been a worthy series, and during its course a number of minor and major rarities have been revived. On this occasion it was pleasure to hear Bizet's exuberant overture Patrie! given with such easy, incisive confidence—and without a trace of apology for the vulgarity never far from the mind (and once or twice distinctly near) the music's surface.

Fremaux's account of Satie's little Gymnopédies in Debussy's orchestration—illuminated by the silken oboe playing of Andrew Knights (who must already be ranked among the three or four finest of our orchestral oboists)—was a delicate, amorous interlude before the evening's chief rarity, Vincent d'Indy's Symphonie cévenole, also known by its full title Symphonie sur le chant montagnard français, is a glowing, uninhibited evocation of a mountain song from the Cévennes— but of far more grandly Wagnerian stance (if not Wagnerian flavour) than the association would suggest. It is made, essentially, of pretty slender stuff, but d'Indy spins it out with ingenuity and with the sweetest good humour. There are some tougher ideas too lurking just below the shimmer (notably some masterly Lisztian thematic transformations)—sharper, crisper attack from the solo pianist Michel had been less laboured. It may be the finale, especially, a little more glitzy. Saint-Saens's last and most splendid symphony, no 3 in C minor—"this imp of a symphony has gone up half a tone: it didn't want to stay in B minor, and is now in C"—was commissioned by the Philharmonic Society and given its premiere under the composer at St James's Hall almost exactly 100 years ago. The Bourne-mouth Orchestra's performance had an energy and a sunny clarity that served the symphony well. The lovely D flat slow movement, unfolded by Fremaux broadly and nobly, was especially striking. The little fugato before the finale was alive with rhythmic bounce; and the finale itself, fanned by a blaze by the organ, was a vivid conflagration.

Incident/Riverside Studios

Martin Hoyle

Epigone performer ziv is a Belgian performance-art group. It is also a possible entry for the next Olympics, to judge by the 90-minute rigorous training session disguised as theatre currently showing in Hammer-smith until and including Sunday, providing that nobody has broken their neck, sprained their ankle, been stunned by the punching or decapitated by the swing. Offstage voices in a wordless chorale accompany the slow illumination of a backdrop of white unbridled Liberty curtain fabric, in front of which two couples stand. The men are po-faced, the girls begin to smile. Eventually all four rock silent laughter which is suddenly switched off with the music. Alone on stage, Afra Waldhor reads out dictionary definitions of "love." The odd tic,

scrunch and fumble betray a mounting excitement which culminates in her stripping off her clothes. At the entry of an expressionless young man she at first coyly, then resignedly dresses again. The show then gets down to business: images, variations, arabesques and doodles on the meeting of the sexes. Miss Waldhor instructs her passive partner in various forms of embrace. When mistimed, these result in collisions. The links between miscellaneity, tenderness, hostility and the unbridled pratfall are emphasised throughout, notably by Simonne Moesen when, dressed as a bride, she attempts an erotic bravado while constantly slipping, sprawling and falling flat on her face. She somehow ends this turn banging 25 feet above the stage before sliding down the swing's rope, and illustrates the company's extra-

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After the final curtain, all the world's a stage



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Continued from Page 16 Opera and Ballet

ITALY Rome: Teatro dell'Opera: La Bohème, conducted by Daniel Oren and directed by Pierluigi Samaritani, who also designed the scenery and costumes. The cast includes Nellie Meloni, Francesco Araiza and Alessandro Corbelli. (48 17 55). Turin: Teatro Regio: Turandot, Eva Meier. Teatro: San Carlo: The Barber of Seville, conducted by Bruno Bartoletti and with Margarita Zimmermann. (418 286).

directed by Jan Ruys and conducted by Aldo Francini, with Thea van der Putten, Hein Meens and Henk Kreukneij (Tue, Thur), (42 27 41). Amsterdam, Stadschouwburg: Doets for his music directed by Alexander Radluis and Han Ebbelaar, with Christian Bor, violin, and Frédéric Meinders, piano (Tue), (24 23 11). SPAIN Madrid: Die Walküre with Montserrat Caballé and Siegfried Jerusalem, Kurt Moll, Haas Stolz, Johanna Meier. Teatro de la Zarzuela: Jovelanos 4. (423 92 19). Barcelona: Edif. Jocsatz by Catalan composer J. Soler. World premiere of opera version with composer's assistance. Enriqueta Tarres, Jerzy Artyz and Eric Serra. Gran Teatre del Liceu, Sant Pau 1. (918 92 77). Valencia, Cullberg Ballet: Giselle. Teatro Principal, Barcas 15 (951 00 51). VIENNA Staatsoper: Manon Lescaut, Madame Butterfly, conducted by Kaila, with Alessandra Cavalieri. Rusticiana: Pagliacci: Götterdämmerung with Joos, Ralsen, Ludwig (53 24 28 55). Volkoper: Die Zauberflöte, conducted by Bauer-Theussl. Die Casardfürstin conducted by Bibb Das Land des Lächelns: The Barber of Seville. (53 24 28 57).

Saleroom/Antony Thorncroft Record in haystack

Christie's could not quite match Sotheby's great success with its Impressionist and modern picture sale on Tuesday night. The sale of the 19th-century Impressionist and modern pictures, which was held on Wednesday, did reasonably well, totalling \$16,644,100 (£10,601,337) with 21 per cent unsold. One of Monet's famous compositions of haystacks, "Meules", made the top price of \$1,611,465 to an American private buyer but the opportunity that the decline in the value of the dollar offers to foreign collectors was apparent in the Japanese bidder who secured "Baiguesse" by Renoir for \$10,828, above forecast and a Monet's "Petites Iles de Port-Villez", for \$325,477. There was even a successful English buyer who paid \$250,575 for Henry Moore "seated woman" cast in 1956-57 in an edition of six. It was sold by the Trustees of the Hirsborn Museum and Sculpture Garden to benefit its acquisition programme, a positive approach missing from most British museums and galleries. A white marble "Great earl", sale in March by Giacometti Marzu sold for £140,127, a record for the artist. Sotheby's continued its achievements in its follow-up sales and all told brought in over \$40m from this market, \$1m above its high estimate. Among the drawings and water-

Paris drops its purse strings

AFTER A period in which it seemed likely to put its economic policies into effect, France's new Government of the right yesterday moved surprisingly far and fast in giving greater freedom to the country's financial system. In doing so, Mr Edouard Balladur, Finance Minister, is seizing a chance he created for himself with his timely move to lower the parity of the French franc within the European Monetary System.

The subsequent popularity of the franc has enabled him to abolish France's equivalent of the overseas investment dollar premium and to give French finance directors greater freedom to invest without fear of the immediate exchange rate consequences. It has provided a climate of falling interest rates in which to move towards a market-based rate system and further reduction of the state's role in limiting and allocating the volume of bank credit.

The decisions do not come as a sudden shock. They build upon indications already given and instead of the hesitations of the previous socialist government. Neither the interest rate regime nor that of foreign exchange are left free by these changes. A Francman, for instance, will still not be able to open a bank account wherever he likes.

Nevertheless, what we are watching unfold here is a revolution. It is the equivalent of the British move towards credit control of the early 1970s and the British abolition of exchange controls in 1979, all rolled into one. And this double liberalisation is taking place in a country that has assumed that Paris's control of the purse strings is a national characteristic, not an aberration imposed by ideology or difficult times.

Do it steps

These changes will pull France firmly into the mainstream of world finance. Among the group of five big industrial countries, only Japan will be left with a dirigiste internal financial system. They are a big step towards the European Community's original presumption of a free internal market for capital and credit allocation. They will test the overstated notion that the EMS functions smoothly in France and Italy dampen dis-

ruptive forces with their exchange controls. Incomplete though they are, these bold new steps prompt doubts whether the French fully realise what they are unleashing upon themselves. The private sector will feel disorientated as it moves into a financial world in which clearance is not necessary, guidelines no longer apply and government subsidised cheap credit less easily available. The habits of actionnaires may find themselves reaching habitually for Colbertist levels of power and discovering they are no longer there. For finance was surely the means by which they brought the private sector to heel in pre-nationalisation France.

The recent history of financial liberalisation suggests that it usually produces its own humpism of fire. Competition and credit control led to the secondary banking crisis in the UK. Interest rate deregulation punctured a lot of comfortable assumptions in the US credit industry. The removal of exchange controls in the UK led inexorably to the Big Bang in the City of London.

Strategic experiment

This lightning always strikes in unpredictable fashion. But one suspects that the French banking industry will have to learn to operate in less labour-intensive fashion if it is to adjust to the squeeze between competitively determined rates and less subsidised lending rates. Equally, the Government will find itself having to provide, or deny, overt subsidy to hard-pressed borrowers—say in agriculture—which the depositor has invisibly subsidised up till now. The cost and extent of government intervention in industry will become much more visible.

These warnings are not criticisms. The French Government has by thin majority and is ruling in a strange constitutional experiment, yet it is managing to be far truer to its stated principles than the government of President Giscard d'Estaing which preceded President Mitterrand's.

Provided the Government can keep inflation under control, it will give great long-term benefit to French industry in allowing its managers to operate as free agents, unimpeded and uncontrolled.

The Afghan dilemma

PROSPECTS for peace in Afghanistan look better than at any time since the Soviet invasion in 1979. That does not alter the fact that they are exceedingly slim. Moreover, the price the West and the Afghans themselves would have to pay may be heavy.

Several signals from Moscow have suggested that the Soviet Union would like to end an adventure that has cost the Russians dear in blood and in credibility in the Third World. The Soviet press has urged the moderate regime in Kabul to broaden its base by inviting representatives of traditional tribal and Islamic forces. That may have inspired yesterday's announcement in Kabul that the regime would strengthen itself with support from "national patriotic forces."

On the other hand, there has been little sign of a let-up in the Soviet military effort. The least one might suspect is that important forces in Moscow, and especially the military, object to anything that might look like the failure of their invasion.

Superpowers involved

The suggestion that something like a coalition should be set up in Kabul to mollify the unyielding resistance against the Communist Government has been cited as a signal that Moscow is willing to seek the "Afghanisation" of Afghanistan. That would mean the establishment of a regime friendly to Moscow, but independent of it, and friendly, also, to the West. Equally, the suggestion for a broader regime in Kabul could mean that Moscow is looking for stooges to lend a mantle of respectability to what, in fact, would be Soviet suzerainty over Afghanistan. The new-war coalition which Stalin tolerated in eastern Europe as long as it suited him show what is meant.

Such are the uncertainties overhanging the current talks in Geneva where Mr Diego Cordovez, an under-secretary-general of the United Nations, is trying to arrange a settlement between the Kabul regime and the Taliban. The latter comes into it because it has received refugees from the Afghan war, because it has suffered air and other raids in the border area, but also as the ally of the US. Indirectly, therefore, both

superpowers are involved. Agreement has been tentatively reached on several important issues. But there is still the timing and speed of a Russian withdrawal from Afghanistan. The wrong agreement on this matter would merely deliver Afghanistan to the Russians.

The same would happen if the West were unwilling or unable to ensure that a settlement turning Afghanistan into a buffer state was actually enforced. The US has signalled its willingness to guarantee a suitable agreement, but one may legitimately ask whether that is enough. The Soviet Union is closer to Afghanistan and has more immediate interests at stake than the US. An agreement were to come unstuck, the Russian would be much better placed to reassert themselves.

Even if one postulates that Moscow is fully sincere in wishing for a settlement acceptable to all, there is the lesson of history. Afghanistan is riven by tribal rivalries which are always liable to get out of hand and to drag in outsiders. Whatever emerges from Geneva is liable to be nullified sooner or later by the internal instability of the country.

On any hard-headed analysis, therefore, the West has no overwhelming reason for releasing the Soviet forces from attrition in Afghanistan. Nor is there a western interest to release Moscow from the odium its invasion has attracted in the Third World and, in particular, in China.

Veiled surrender

On humanitarian grounds the argument runs differently. There is a chance, however slight, to stop the killing without an open or veiled surrender to Moscow of a people which has demonstrated its wish for independence. Clearly there is a strong moral case for seeing upon such a chance in the hope that all may end well.

Unfortunately there is much evidence to suppose that the chance of a lasting settlement is a chimera. Without very firm guarantees of Moscow's goodwill, the West runs the danger of making concessions without lasting adequate returns for itself or for the Afghans.

A new sense of obligation

By David Fishlock Science Editor

CHERNOBYL was the accident for which no one was prepared. It has exposed weaknesses in the international organisation and management of an industry which is not as much secretive as it is often seen as, as aggressively nationalistic.

Chernobyl showed no respect for national boundaries. Failure from the overheated reactor has evidently contaminated at least a score of other countries in Europe, most severely those of the Soviet Union's own Comecon partners in a nuclear power pool making and distributing electricity.

It raised the level of background radiation even at Britain, more than 1,000 miles from the reactor, sufficient for Mr John Dunster, the Government's chief adviser on radiological protection, to predict a few tens of extra deaths over the next 50 years. In time traces of the accident will spread worldwide.

Safety in engineering design is deeply rooted in the nations with a highly developed engineering tradition. Scores of ways of combining the three essential engineering ingredients of any nuclear reactor—a fissile fuel, a coolant to carry away the heat of fission, and a moderator—were proposed in the early decades of nuclear energy.

The handful of survivors are those which warranted unremitting efforts to develop deep engineering traditions, until they arrived at both a secure and a reproducible reactor for an acceptable price. Canada has done it with its CANDU reactor but the safety of it is unacceptable to safety and licensing authorities in the US and Britain. Britain has done it for its advanced gas-cooled reactor (AGR) at a cost which is unacceptable anywhere else.

West Germany, France, and now Britain have all taken the US pressurised water reactor (PWR) and applied their own safety traditions. The result is significantly different versions of the same basic reactor concept as different as a Rolls Royce version of the four-stroke engine is from that to a popular make of car.

The Russian version of the PWR has been bought by only one western nation, Finland, which has the safety side of the design and says it introduced major changes, discarding all Russian electronics and adding a containment which the Russians said was unnecessary.

The RBMK reactor, the type used at Chernobyl, is reactor layout of the type used in the US, Britain and France—as a plutonium-producing system for weapons. The Russians, who for 20 years have staunchly supported the principles of discouraging proliferation of nuclear weapons, have in this way how easy it would be to misuse the RBMK compared, say, with the PWR. It has refused to

sell or license the RBMK design even to other Comecon countries.

We can now be sure we know where the accident at Chernobyl began even if we still do not know precisely the operating circumstances which brought it about. The gap in understanding may lie in the fact that the Russians have not been forthcoming about detailed design and operating data for the RBMK.

Incidentally, it also emerged this week that the International Atomic Energy Agency in Vienna, whose inspectors were permitted to Russian reactors for the first time last summer, turned down the chance of visiting Chernobyl—in favour of visiting installations they believed were more relevant to international interests.

Mr Mikhail Gorbachev, the Soviet leader, has confirmed western suspicions on Wednesday that the accident began in the RBMK's core, and was not initiated by any external event such as a turbine failure or an explosion in venting plant. He attributed it only to a sudden surge of power in a reactor reduced to only 7 per cent of its output—in effect, shut down—for maintenance work. Russian practice appears to be to maintain this low level of heat output during "shut-downs" to facilitate rapid return to full power.

This sudden surge of nuclear activity in effect, at least part of the reactor "went critical" again—is most convincingly explained by a rupture of a pressure tube perhaps at a weld. A lithium-iodide weld at the top of the pressure tube has apparently given the Russians some worries.

So a minor mishap while operators were loading or unloading fuel may have started the rupture, releasing superheated steam at the face of the graphite fuel channel which, because of the surge in nuclear activity, was becoming extremely hot. At about 1,000 degrees C graphite will "crack" steam into hydrogen and carbon monoxide, a potentially explosive mix.

More precise details of these events may be hard to ascertain. The two people who probably know most, working in the reactor hall high above the core, were the first to die. British nuclear engineers and scientists have come closer than most to the RBMK because in the mid-1970s they perceived a likeness between this pressure-tube system, already then operating at 1,000 MW output at the Lenin and station, and the 850 MW steam-generating heavy water reactor they were trying to design.

The Central Electricity Generating Board has reassessed the evidence gleaned by the board in its review of the British Nuclear Forum and what has been learned, to try to pinpoint the cause of the accident and

will simply shut themselves down.

Again, they were worried about the high operating temperature of the graphite core, which at 700 degrees C is red hot. This is much higher than the peak for the AGR, and increases as the reactor ages, to exceed 1,000 degrees C.

They also concluded that the pressure tubes fitted too tightly into the vertical channels through the graphite core, leaving too little room for escaping steam should a pressure-tube burst.

Given that the design is so different from western reactors, the main aspect with which nuclear power authorities outside the Soviet Union are wrestling at this stage is adequately "contained" by meet every contingency. This

is not one likely to be resolved quickly, since some reactors still running are nearly 30 years old, antedating ideas of emergency core cooling should a pressure tube burst; and lack of a full containment, such as was planned for the British reactor. They were worried by a feature of the Russian design known as "positive void coefficient," which means that if the coolant is lost the reactor's nuclear activity can increase.

In contrast, the AGR or PWR

on the accident and its consequences for its European neighbours. This would be realistic only if the Soviet Union was willing to deliver the "corps" in the shape of a lot more technical detail. The nuclear industry will also be anxious to learn all it can in this post-mortem about methods of cleaning up a major radioactive mess. Previous nuclear meltdowns have been confined almost entirely to nuclear sites, even at Three Mile Island. It is almost 30 years now since Britain's burned-out graphite pile at Windscale was entombed in private homes.

Mr Gorbachev's proposals focus on the role of the International Atomic Energy Agency in Vienna, an arm of the United Nations which has been striving to counter the nationalism of the nuclear industry against the opposition of both friends and foes of nuclear energy.

The Russian leader makes it plain that it is to the agency which the USSR, along with the US and UK is a founder-member—that he looks for leadership in the new internationalism. He spoke of enhancing the role of "that unique organisation."

"For the agency this is good news. Indeed, it has been struggling for years on a zero-growth budget, currently about \$130m, to cover a spectrum of nuclear activities on behalf of over 100 member-states. It is three years since the agency developed nations, which see its dominant role as safeguarding the world against the proliferation of nuclear weapons, and the development of countries which want its efforts directed into helping them gain the benefits of nuclear energy.

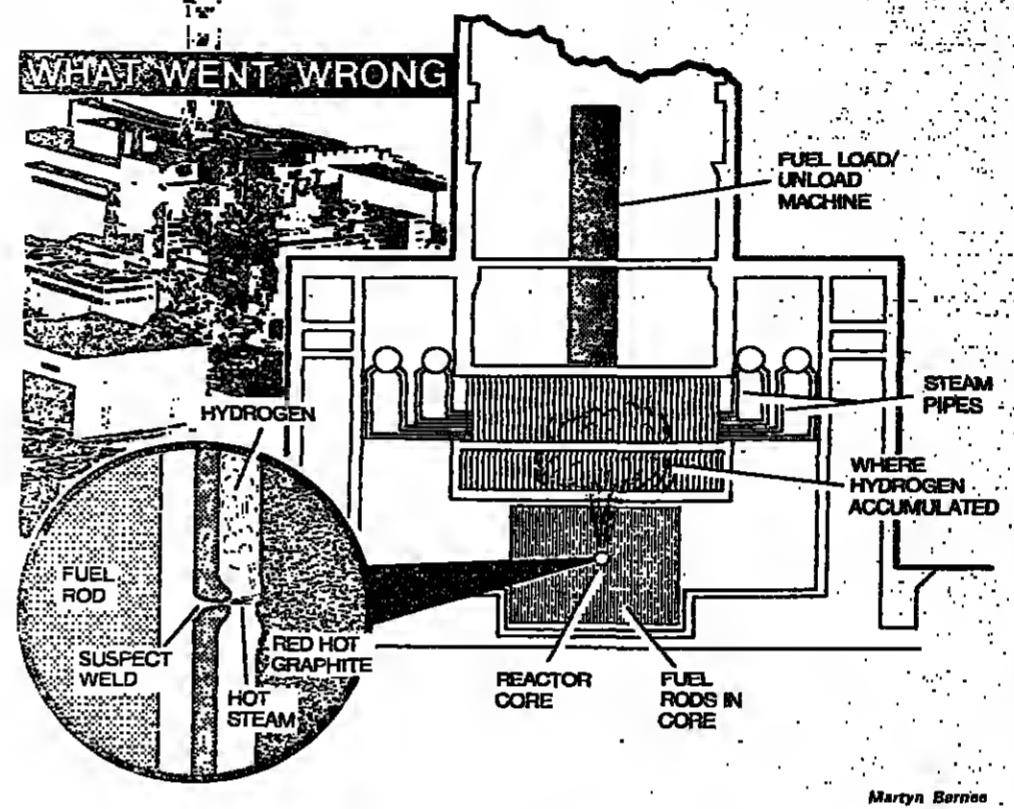
The importance attached by member-states to reactor safety may be gauged from the fact that only 10 per cent of a member budget is spent on safety, mostly collating safety-related incidents (in which the Russians have always collaborated).

Thus a direct consequence of Chernobyl seems likely to be a stronger obligation on all member-states to advise the agency promptly of all nuclear activities. This implies a greatly expanded role for all safety-related work. In a cautious comment yesterday, Dr Hans Blix, director-general of the IAEA, said he foresaw a great deal of activity in this field, particularly on emergency systems and early warnings.

The IAEA is setting great store by the need to keep channels of communication to Moscow wide open, so that the world will take full advantage of Russia's new-found readiness to co-operate.

An emergency session of its board of governors has been called for next Wednesday, when representatives of 35 nations will be briefed by Dr Blix, who led its mission to Moscow. This has been called by the West German Government, whose geographical closeness to the USSR, coupled with a strong domestic opposition to nuclear energy, is posing special problems in the aftermath of the accident.

From the other side of the globe, the Australians want to activate draft plans for an international convention on trans-border releases of radioactivity. These were constructed two years ago but have lain un-



Martyr Barnes

The Bank's fearless five

Robin Leigh-Pemberton, Governor of the Bank of England, apparently had little trouble persuading five wise men to become members of his new Board of Supervision. There were more names on the list, but after Nigel Lawson had shown his preferences, the first five to be approached, accepted.

To qualify, they had to be fearless men and true, with, obviously, a knowledge of banking. Fearless, because the whole point of creating the board is to have outsiders who will not be afraid to tell the Bank where it is going wrong—particularly in the wake of Johnson Matthey Bankers.

The five were not all traceable yesterday, and some who were, preferred not to talk on the record until they have got a few monthly meetings under their belts. But "interesting and worthwhile" were epithets that cropped up most.

Alan Hargreaves, a partner of Peat Marwick Mainett, was pleased to have been asked because he thought hard about banking supervision as president of the Council of the Institute of Chartered Accountants when it was founded out by the Treasury on the Banking White Paper.

"The board appeals to me because it's a good mechanism for keeping the system of supervision under review by a group of knowledgeable individuals."

Derek Vander Weyer, deputy chairman of British Telecom, has obvious credentials for the job, when he ran Barclays Bank in the 1970s, he presided over the secondary banking crisis. He was then on the Governor's committee that looked into banking supervision after the Johnson Matthey rescue, and since then has been appointed to the Court of the Bank of England.

Peter Graham, senior deputy director of Standard Chartered, may not keep that post long if his bank gets taken over by Lloyds, but he will remain on the new board whatever happens. He has recently spent much of his time trying to sort out the great tin crisis to which Standard was exposed.

Men and Matters

Nigel Robson, chairman of the Royal Trust of Canada, demonstrated his independence-mindedness when he resigned the sole non-executive director of British Sugar over their decision to pay an extraordinary £10m dividend to S & W Beristone, the company's parent.

Another member of the board is Andrew Caldecott, chairman of M & G, who read law at Oxford and practised as a solicitor, becoming a partner of Druces and Miles.

Work and play

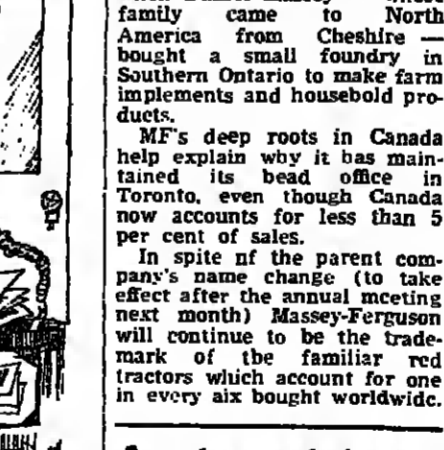
A novel attempt to fight unemployment, inspired by Irishman Bob Geldof's Band Aid and Live-Aid efforts for famine relief, takes place in Dublin tomorrow when people will be invited to pledge jobs and money for job creation during a 14-hour televised rock concert.

Adopting the methods of famine appeals for helping the unemployed has not been without controversy, however, and the event will be picketed by left-wingers who say it is for "big bands and big business."

The project, titled Self-Aid, has been organised by two producers at RTE, the state broadcasting corporation, and has the backing of state agencies, including the industrial development authority and export board.

It has also attracted an impressive array of Irish groups. Names such as Van Morrison, Elvis Costello, Chris de Burca and U2, as well as Geldof and his Boomtown Rats, will be performing free to an expected 50,000 live audience.

The idea got under way when Geldof remarked recently that Ireland could overcome many of its problems if a way could be found to tap the energy its people put into last summer's Live-Aid appeal when more money was raised per capita than in any other



"Next week, the minister is opening a new supermarket and closing two schools, a hospital and a shipyard"

country. Unemployment was the obvious problem to tackle. More than 17 per cent of the workforce is jobless—one of the highest rates in Europe—and people under 25 are especially hard-hit.

Variety or vanity?

Massey-Ferguson's ebullient chairman, Victor Rice, gives credit to his communications director for the choice of the name Variety Corporation to brush up the new corporate image for the venerable Canadian farm and industrial machinery maker.

But it hasn't taken outsiders long to notice that the first three letters of Variety are also Victor Albert Rice's initials.

Rice shrugs of the coincidence. Variety was chosen, he says, because it suggests "our vision, variety, vigour, and value, our confidence in the

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POLITICS TODAY

A machine for the 1990s

By Malcolm Rutherford

ONE OF the signs of change in the British political climate is the revival of interest in the reform of the machinery of government. It is as if a chapter is coming to an end in the set of people who want to get into the act of shaping the succession to the years of Mrs Thatcher...

institutes such as the Royal Institute for International Affairs, the First Division Association, which represents top civil servants, as well as academics, businessmen and scientists and members of all political parties. A seminar was held last Monday on a paper called Re-skilling Government which calls for Cabinet ministers to be given an enhanced private office, rather than the lines of the continental cabinet system...

released. There is, therefore, a stalemate. Abolition would open the way to a regime dependent on discretion and common sense. The Central Policy Review Staff, or something like it, should be re-established. The so-called "Think Tank" was announced by Mrs Thatcher after her second election victory. Its absence deprives the UK of a forum for public debate about long-term issues...



Affairs Committee on UK-Soviet relations this week, and in the hearings of the Defence Committee on Monday's Defence White Paper, that they are unearthing a good deal of useful information. But they remain immensely deferential. They should create a stir by demanding information that is withheld and refusing to take no for an answer when witnesses decline to appear.

After all, they all work for the same country. Oxford and Cambridge could become exclusively post-graduate universities. This would reduce some of the resentments caused by Oxbridge. It would also produce a real elite rather than an elite that is largely social. The two universities might then become centres of excellence again.

The reforms are designed to bring in more and better talents into the governance of Britain. An underlying theme is the need to promote more interchange between government and outsiders. All of that is happening, but at a lamentably slow pace. That is why the efforts of Sir John Hoskyns to create a climate of change before the general election are so important.

Capital venture in Argentina

By Robert Graham

NOT EVEN Argentines know very much about Viedma. But President Raul Alfonsín is determined to change all that. This small provincial capital, some 500 miles south of Buenos Aires at the mouth of the Rio Negro, has been chosen as Argentina's proposed new federal capital.

In the month since the idea was first floated, the general reaction has been a mixture of disbelief and scepticism. Buenos Aires is so firmly rooted in the national psyche as the capital that a move seems inconceivable. Yet it would be a pity if the idea was not given a fair hearing.

Buenos Aires has come to play a disproportionately large role in national life. The historic reasons for this are obvious enough. The city is well sited at the mouth of the River Plate, has a good climate and is the hub of a vast railway network.

Resources Also, as the principal port in an export-oriented economy, Buenos Aires became the commercial and financial centres of the country. These attractions have acted as a magnet, and Buenos Aires and its surrounding province now account for almost 40 per cent of Argentina's 30m population and over 60 per cent of its industry.

In a country this size, development is distorted by such a high concentration of resources, human and economic, in a tiny portion of the territory. A vicious circle grows up whereby civil servants, doctors, engineers, or teachers do not wish to work elsewhere, companies cannot locate elsewhere and people come from elsewhere in find opportunity. Thus the dominance of the capital snowballs, its privileges bolstered by the presence of the most politically articulate groups being based here.

President Alfonsín wants to correct this distortion and focus attention on the huge underutilised space — and resources — in the interior and south. Similar considerations led to the establishment of Brasilia in the late fifties, and today in Latin America there are other candidates for a new capital cities.

Enclave

Modern architects in Brasilia have not to date been able to produce agreeable small-scale neighbourhoods that are enjoyable to live in and Brasilia's depressing diplomatic enclave has only made ambassadors looq for the life of Rio.

While Brasilia was conceived at a moment when architects and planners were convinced that concrete and motorways were enough to make a new city times are different now and President Alfonsín has a remarkable chance to commission a city that will take note of the failures of the wide open spaces of new capitals like Chandigarh and Islamabad.

Prudent conduct in home loans

From Mr R. Boden Sir, — Your observation (Prudent conduct in home loans, May 14) that "banks will do their reputation nothing but harm by offering cheap mortgages to new borrowers, and then locking them into higher rates and charging punitive prepayment penalties" may be true, but only if those who write about the mortgage market devote greater attention to such practices and less to simple comparisons of today's mortgage rates.

In the current market it is a sad fact that a lender will build his book faster and make more profits by alternating periods of very competitive pricing with periods of excessively high mortgage rates, and this is especially true if during the latter periods new borrowers are offered a concessionary low rate. The lender who aims always to deal at a fair margin in these days hardly ever experiences a real demand — nor the most expensive — and so never makes high profits. Such a lender's consolation is the knowledge that his customers are getting a fair deal, and the expectation that in the long run this will be recognised and rewarded in the market place.

But to encourage the elimination of dubious practices I recommend anyone considering a new mortgage to check that the lender undertakes not to charge existing borrowers more than new borrowers, and that the lender does not charge onerous penalties for prepayment (one month's interest in lieu of notice should be quite enough). I would make a further suggestion to anyone who has a mortgage: if your lender announces a special rate for new customers, please him, write to him and play merry hell with him until he agrees to deal on the same terms with you, who should be his valued existing customer, as with newcomers.

R. J. Boden, Kleinwort, Benson, PO Box 560, 20 Fenchurch Street, EC3.

Letters to the Editor

and be would certainly not invest in companies wasting shareholders' money, particularly in this way. I have to agree on two counts. The first is that, one would assume, most of the investors are professionals who would surely know the facts without having to read about them in newspaper pages. Second, with conflicting statements following conflicting statements, who would one believe, anyway? Better to use the money to ensure an improved and continuous performance by the companies in their respective market places!

Jack I. Klein, 26 Hayti Mews, W1.

Partnership and profit

From the Chairman, John Lewis Partnership Sir, — Your leading article (May 13) on profit sharing referred to our growth as "unexciting," albeit describing the John Lewis Partnership as otherwise "generally admirable." My partners are grateful for the praise, if tinged but may I suggest a different approach? Over the past 25 years the sales of the John Lewis group, already at the outset a mature business, have increased from £40m to £1.3bn per annum, and our share of the total retail sales of Great Britain has moved up from 0.45 per cent to 1.57 per cent. Or were you referring to profit? The partnership's profit after tax has moved from about £2m to £80m per annum over this period, or a fivefold increase perhaps in real terms. If this sort of growth does not excite the Financial Times I have a pretty good idea it would excite a lot of other people including governments. Perhaps the growth has not grabbed attention because it is so consistent year by year, but that is surely no bad thing? And what of the topic of the hour — employment? Total employment in the retail trade in the United Kingdom is falling. Ten numbers engaged in the partnership's business in 1980 were 12,000, today they are 32,000. I confess I am out of my depth if that's to be held against us.

On this foundation you went on to voice the, to me, rather bizarre notion that the "improved climate" of co-operative arrangements "hampered decision making and expansion." I dare not trouble you to search for a single illustration of this

Letters to the Editor

we have always argued only that the married man's allowance attributable to those below pension age should be used to improve child benefit; the rest should be redistributed amongst pensioners themselves. Even so, it still leaves £2.5bn of the total £4.5bn — sufficient to more than double child benefit.

RUTH LISTER, 1 Macklin Street, WC2.

Tax relief for charities

From Mr M. Nathan Sir, — I must endorse the criticisms made by earlier correspondents regarding the measures proposed under Clause 29 and Schedule 7 of the Finance Bill. These measures can only be described as draconian in their intent to counter the abuse of the charitable tax privileges by probably only 1 per cent or so of registered charities. Their effect would be to outweigh by far the encouragement to charitable giving given elsewhere by the Chancellor in his budget.

It is no use the Chancellor stating that he is having talks with representative charitable organisations. This is not good enough. The budgets and cash-flow forecasts of charities are in disarray and they are at present uncertain as to whether they can fulfil their commitments, which may like other organisations be planned for some years ahead. This uncertainty must be removed as a matter of urgency. Further, which organisations the Chancellor is consulting — there is no central representative body?

It should be obvious which bodies are abusing their charitable status end the registration of these bodies as charities could be cancelled, if necessary, retrospectively by the Charity Commission. That body is charged under the Charities Act 1960 with the job of policing charities, but has signally failed to do so. It should be given the resources to do this, including insisting on the prompt lodgement of annual accounts of all charities, if necessary through regional offices for local charities. It should not be overlooked that many charities, certainly the smaller ones, are run by persons in their spare time on an honorary basis. The proposed complicated measures will be beyond their capabilities and require the employment of expensive professional persons to enable them to ensure that they retain their charitable status and the tax exemptions that go with it. Michael R. Nathan, Howard Tilly & Co, 1 New Oxford Street WC1.

'ICL made good progress in 1985'

PETER L. BONFIELD, Chairman

- * ICL benefited from the strategies implemented in preceding years and has continued its leadership in promoting Open Systems standards for information systems. * New products, many arising from collaborations, came on stream. Increased volumes were handled by new distribution channels. * The effects of staff and management training programmes were reflected in our ability to manage the business in turbulent market conditions.

Table with 3 columns: RESULTS IN BRIEF, 1985 £m, 1984 £m. Rows include Turnover (1037.8 vs 942.6), Profit before Tax (53.8 vs 40.3), Return on Capital employed (24% vs 19%), and Turnover per employee (£) (£50,300 vs £43,000).

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Martens stays inside as Belgian union storm breaks

VERY FEW trains. Not many buses. Mail deliveries patchy. Continued unrest in the coal mines. It looked yesterday as if Belgium was grinding to a halt even before today's declared strike of public services, writes Paul Cheeseright in Brussels.

There was not much sign of the Government, but then there has not been for several weeks. Senior ministers have shut themselves into a chateau in the Brussels suburbs for a mammoth negotiation on how to clip the official financing deficit by a third.

With tempers rising outside and ministers arguing inside, it appeared that the Government, despite a renewed mandate at the polls last October, was under siege. The reality was more complicated.

Certainly the Government's method of doing business has handed the political initiative to the unions. Cloistered in the chateau, it

has left a vacuum which the unions have been trying to fill. The difficulty for them is that they are not particularly well-equipped to seize the opportunity.

The Christian Democrat-Liberal coalition under Mr Wilfried Martens came back into power on a programme of continued economic stringency. A key element of that was to cut the official deficit from its current level of more than BFr 600bn (\$13.4bn) by BFr 200bn - to reduce, in fact, the official borrowing requirement to the equivalent of 8 per cent of gross national product from 11 per cent.

What was not clear then, and will only become clear next week, is how and where the cuts will fall. Under the best circumstances the package would be difficult to put together. Under Belgian conditions, it becomes more so because of the need to bring along in tandem hard line, free enterprise Liberals and

softer Christian Democrats, often maintaining links to the Unions.

The coalition, in short, has been busy settling its fate for the next three years - if it lasts that long.

It was inevitable that the unions would respond. Although the unemployment rate has now dipped to under 13 per cent, there is an acute fear of more job losses. The unions argue that the public sector has already borne more than its fair share of the burden of economic recovery.

Beyond these generalities, however, there are divisions within the movement - divisions which projected Mr Martens in his fifth Government and will probably project him in his sixth.

There are two main groupings, one linked to the Socialists, presently in parliamentary opposition, the other to the Christian Democrats. The Socialists are stronger in the French-speaking south of Bel-

gium, Wallonia, and the Christian unions in the Dutch-speaking north, Flanders.

For the Socialist grouping, the current series of strikes is a chance to put pressure on the Government, ideally to bring it down, at minimum to reduce the severity of the spending cuts.

For the Christian group, the aim is less clear-cut. Its leaders over the last two days have been stressing the need for dialogue with not only the coalition but private sector employers as well.

This is not surprising. Senior figures in the Martens coalition have sought, successfully so far, to keep the Christian grouping in line behind the government policy. The grouping is more acquiescent than the Socialists.

Provided it stays that way, the Government can cope. The union movement divided is an irritant, not a threat. This week there have been

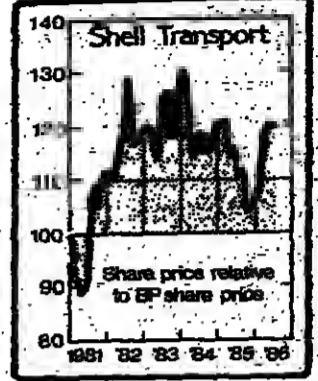
signs that the traditional mutual suspicion of the two groupings has begun to reassert itself.

The two acted together in a one day public service strike on May 6. But this time, for the repeat, the Socialist grouping has been trying to spread the strike out from public services like transport and the mail to ministerial and local government offices. That is further than the Christian grouping wants to go and it has been issuing strict instructions to its members only to obey central instructions.

For the Government, then, the situation is messy, but not yet out of control. Its attitude has been cool. It is ready to talk to the unions, but only within the framework of the spending cuts it intends to make. There is no question, Mr Martens has made clear, of the unions helping to set policy in the chateau.

THE LEX COLUMN

History lesson from Shell



Times are rare these days when the oil sector outshines the rest of the market, but then the market has not been thinking in terms of record oil company profits. Yet in replacement cost terms, at least, that is what Shell and British Petroleum have managed in the first quarter. It was perhaps bad timing for BP to release its figures some hours after Shell BP's replacement cost net profit of £740m was well ahead of market predictions, but after Shell's prodigious £1.3bn it looked much less impressive.

What both companies proved conclusively is that they have been far better than the US majors in generating downstream margins to compensate for the dip in production revenues. Although Shell is the acknowledged master of this business, BP is no slouch these days. Outside the US, BP made the same downstream margins, about \$3 a barrel, as Shell.

It is in the US that BP's problems lie. Standard Oil achieved the rare feat of a drop in both upstream and downstream replacement cost earnings. Messrs Horton and Brown - recently despatched from Britannic House - are going to be busy men. But on the stated historic earnings, BP is letting its US subsidiary paint a blacker picture than Shell might do in similar circumstances. Shell Oil returns no historic figures into the group, and thus no stock losses, whereas Standard returns UK-style stock losses of £174m. If BP accounted for Standard in the way that Shell treats its US subsidiary, then BP's historic cost profits for the quarter would have been put at almost £200m instead of £22m, and possibly prevented its share price from dropping 10p to 53p, while Shell's gained 10p to 77p. The different responses may also reflect suspicions that BP is unlikely to increase its dividend even if Shell Transport's sterling dividend increases to match a static pay-out in Royal Dutch.

Occasionally Shell gives the impression that the oil price fall is of no consequence in any of its businesses. How else to explain the fact that its non-US production profits were actually up on the last quarter of 1985? A more tangible explanation is that Shell's upstream volumes are about 18 per cent gas, whereas BP has a much more oily mix of hydrocarbons. There is a built-in lag in European gas sale contracts, so that Shell's gas profits

reflect the trading conditions of about six months ago. Time will inevitably reverse this advantage if oil prices hold.

Morgan Grenfell

After the Exco merger solution failed and the rights issue idea was classed as too short term an answer, Morgan Grenfell had to revert to plan A - going public - to find the capital it needed to come out on top post Big Bang. As some existing shareholders will compete for new shares to keep their holdings up, notably Willis Faber which needs to equity account its stake demand could be sufficient to raise £100m to £150m.

With the current off-market capitalisation of the group at £450m plus and assuming that the shares can command a higher price once freely traded, the bank could be valued near to £50m by October. That would put it in the big league of UK merchant banks, but about a million miles below the main players on Wall Street.

Grand Met

While Grand Metropolitan waits for its newer, higher-rated businesses to come through strongly to profits, it must be grateful to its basic activities for keeping the numbers edging ahead. Profits growth from £131.9m to £140.2m for the six months to March came largely out of the supposedly mature brewing, pubs and food divisions. An even greater irony is that the Liggett cigarette business in the US improved profits while fitness products were in poor shape.

Here currency movements obscure the picture, but it seems that cigarettes, pet food and Pepsi are

Maxwell plans bid for BA Helicopters

By David Brindle in London

MR Robert Maxwell, the UK newspaper publisher, cable television pioneer and football club chairman, turned up yesterday at the Scottish headquarters of British Airways Helicopters in Aberdeen to declare his intention of buying the company.

Accompanying him on his flamboyant foray into the world of aviation were several trade union leaders who, it is believed, have agreed to back the deal on the basis that 25 per cent of the company share capital is distributed free among the workforce of 850.

Mr Maxwell is thought to be prepared to pay £22m (£3.7m) for the company, part of the British Airways group, and is believed to have held discussions with Mr Colin Marshall, BA's chief executive.

The intervention of Mr Maxwell is not the first unexpected development in the course of BA's efforts to divest itself of the helicopter subsidiary. In February, Cola Valley Investments, a property company, announced it had negotiated a deal but nothing further has been heard.

The first many BA Helicopters employees knew of Mr Maxwell's interest was the arrival at Aberdeen airport yesterday of his private jet, diverting not only the Mirror Group Newspapers chairman but also senior officials of the workers' unions.

Most of the union leaders had earlier yesterday been at Gatwick airport in southern England, hearing the grim news of the 1,000 job losses planned by British Caledonian Airways.

Last night, BA would only confirm that talks with Mr Maxwell were taking place. Mr Maxwell's private office said: "We do not comment on rumours."

Led by the airline pilots' association, Balpa, unions at BA have been trying to promote a management buy-out of BA Helicopters. The proposed Maxwell deal, which is likely to give the unions seats on the company board through the employee share issue, is being seen as a half-way house.

Morgan Grenfell to seek London share listing

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

MORGAN GRENFELL, one of London's largest and most successful merchant banks, is to seek a listing for its shares on the London Stock Exchange.

The move will pave the way for Morgan to raise a substantial amount of capital this year and put it in a better position to compete with leading international banks and securities houses in the world markets.

The listing will be sought "as soon as practicable," Morgan said yesterday. It will probably come in the summer.

Morgan already has 58m shares outstanding which are traded privately among a number of institutions and staff of the bank. These currently change hands at around 83 pence, giving Morgan a value of about £484m (\$1.2m). However, a listing would improve the shares' ability to trade and should enable them to command a higher price on the open market.

Morgan's major shareholders are Willis Faber, the London insurance brokers with 23 per cent, and several insurance companies and Deutsche Bank with about 5 per cent.

Mr Christopher Reeves, the bank's chief executive, said that while Morgan could raise new capital

Morgan Grenfell to seek London share listing

from its existing shareholders, "on balance, now is a good time to go for a listing because we will be able to raise a really sizable sum of money and be able to position ourselves for the Big Bang."

He said that, while Morgan is best known for its corporate finance and banking business, it is heavily committed to developing its activities in the securities markets, where it now employs 450 people.

"We need to feel we have the firepower to help our clients," he said.

Morgan also had ambitions to expand in New York and Tokyo, he said, where there is "lots of tough, well-capitalised competition."

BBC study rejects advertising and favours indexed licence fee

BY RAYMOND SNODDY IN LONDON

THE Peacock Committee into the future financing of British broadcasting has rejected advertising on BBC television for the foreseeable future and will instead suggest the indexing of the viewers' annual licence fee.

The committee, which yesterday was putting the final touches to its report, will tell Mr Douglas Hurd, the Home Secretary, that the BBC licence fee should be indexed to the retail price index (RPI) for the next 10 years.

Such indexation would, in effect, impose financial restraints on the BBC because the rate of inflation in broadcasting has in the past considerably outstripped the RPI.

After the indexation period the effects of technological progress could be reassessed and the introduction of either advertising on BBC television or a subscription service considered.

The committee has apparently accepted one of the key arguments put forward in evidence that separate sources of funding for the BBC and Independent Television is a fundamental factor behind the quality and diversity of British broadcasting.

By implication, it is also suggesting that although the era of broadcasting satellites and a proliferation of new television channels is on the way it may be the mid-1990s before the impact is significant.

The committee will, however, put all its weight behind encouraging the independent television production sector. It will propose that there should be a quota, possibly around 25 per cent, of UK independently produced programmes on British television.

The production facilities of the BBC should be available for use by independents at a fair price, particularly in the regions such as Scotland.

The committee is also sympathetic to the idea that Channel 4, at present a wholly owned subsidiary of the Independent Broadcasting Authority, should become a stand-alone company. At the moment, the independent television companies are responsible for selling advertising time for the channel.

Peacock has taken the view that a "liberated" Channel 4 would increase competition within British broadcasting.

Although the committee, set up by Mr Leon Brittan, the former Home Secretary in March 1985, is leaving the BBC national network intact, it would like to see radical change over local radio.

It will suggest the co-ordination of commercial and BBC local radio, possibly under a new cost-effective radio authority.

US moves to counter EEC curb on imports

By Nancy Dunne in Washington

PRESIDENT Ronald Reagan yesterday imposed non-restrictive quotas on white wine, candy, beer and several other EEC products in retaliation for limitations on US grains and oilseed exports imposed when Portugal and Spain joined the Community. They will take effect on Monday.

The White House also made public a list of other items which face increased tariffs if the US and the EEC do not reach agreement by July 1 on a compensation for lost American grain sales to Spain. Port, cheese, vegetables, brandy, gin, liquors are included.

Mr Larry Speakes, the White House spokesman, said: "This is a dispute the US sought to avoid, but we cannot overlook the EEC's unilateral actions which clearly violate GATT rules and affect some of our most sensitive exports."

The action followed the President's warning on March 31 that the US would respond in kind to the EEC's import restrictions in agricultural trade resulting from the Spanish and Portuguese accession.

Mr Speakes said the US response was "fair and measured." The tariff restrictions will be set above current trade levels and will not be dropped unless US oilseed and wheat sales to Portugal are limited. Both sides in the dispute have said trade will not suffer this year as a result of the quotas.

The full list of products to be included under quotas includes ale, porter, stout, beer, apple or pear juice, white wines valued at more than \$4 a gallon, chocolate bars and candy, and other confectionery products.

Paul Cheeseright, in Brussels, writes: "The Community will match the US restrictions, symbolic or not, by measures of equivalent restraint. They will be imposed on a list of 14 US products sold in the Community."

Last night, however, the Commission was cautious in its reaction. It noted that it had not yet received information on either the quota levels or the administrative arrangements to support them.

BCal calls for 1,000 jobs to go

Continued from Page 1

days of the raid, BCal had lost £3.7m revenue "as a direct result of the Libyan bombing," Mr Colman said.

He also blamed the radiation scare from the Soviet reactor explosion at Chernobyl and forecast that this and more fears of terrorist action could cost BCal a further £25m to £30m.

The airline intended to redeploy some of its excess aircraft capacity. One DC-10 airliner will be taken off the Atlantic routes and will serve the more buoyant Gatwick to Hong Kong route this summer before being sold.

Court boost for Ulster Catholics

BY DAVID THOMAS IN LONDON AND TERRY DODSWORTH IN NEW YORK

A NEW YORK court has ruled that there is no legal impediment to US companies operating in Northern Ireland under the so-called MacBride principles, which are designed to give Roman Catholics in Ulster greater access to jobs. The principles are opposed by the British Government.

Although the ruling of the New York court has no standing in Northern Ireland, it is bound to increase pressure from the Irish lobby on US companies with subsidiaries in Northern Ireland, which have resisted adopting the MacBride principles.

The MacBride principles, which are backed by some sections of the Irish lobby in the US and are highly controversial within Northern Ireland, are named after Mr Sean MacBride, winner of the Nobel Peace Prize and a former IRA chief of staff before the Second World War.

The British Government and the Fair Employment Agency, the statutory body charged with opposing religious discrimination in Northern Ireland, have consistently argued that adopting the principles would entail reverse discrimination in favour of Roman Catholics and against Protestants, which would contravene UK law.

However, a New York district court judge has ruled that although some of the principles might "be viewed as calling for affirmative action, they do not call for discrimination against anyone."

The British authorities are concerned about the potential disincentive to investment in Northern Ireland if US companies were forced to adopt the principles, since it believes that corporations could then come into conflict with law in the province.

The 29 manufacturing subsidiaries of US companies in Northern Ireland account for more than 11,000 jobs.

The New York court was asked to rule on this issue in a case taken against the American Brands tobacco group which has a subsidiary in Gallaher.

The New York City Employees' Retirement System, an influential US pension fund, had wanted to put a resolution to shareholders at American Brands' annual meeting calling on the company to adopt the MacBride principles in its Northern Ireland labour policies.

American Brands refused to accept the resolution on the ground that the MacBride principles conflicted with UK law.

During the litigation in New York, the British Government submitted written evidence to the effect that the MacBride principles fell foul of the UK's Fair Employment Act.

However, two British legal experts, Mr Peter Archer, the opposition Labour Party's spokesman on Northern Ireland, and Mr Christopher McCrudden, lecturer in law at Lincoln College, Oxford, submitted evidence to the contrary.

Chernobyl toll 'likely to rise'

Continued from Page 1

to the north of Chernobyl, who telephoned a correspondent to claim that they had both gone bald because of high radioactivity. Dr Voronyov said that anybody who had received enough radiation, which he put at 400 rad, to make them lose their hair would be too ill to make a telephone call.

He was similarly dismissive of EEC sanctions on food products from Eastern Europe on the Soviet Union, saying "products which are radiated can be easily checked in customs offices of our and other countries."

Paris eases curbs on capital flows

Continued from Page 1

From the point of view of timing, the most unexpected measures announced yesterday were the lifting of restrictions on capital movements. These involve the abolition of the foreign exchange premium on purchases by French residents of foreign stocks, freedom to buy a second house abroad, to make gifts to non-residents and to transfer assets to another country when moving abroad.

The lifting of these restrictions - long sought by France's European partners as part of the process of strengthening the EEC's internal market - means that for the first time since 1988 France will no longer be seeking exemption from EEC regulations on freedom of capital flows.

French Treasury officials had earlier been planning to link concessions on this issue to monetary negotiations within the EEC in the Autumn in which France will be seeking West German support for strengthening the role of the European currency unit.

The decision to prepay FF 1.5bn of the loan raised with the EEC in 1983 cuts the French Government's foreign indebtedness to \$3.7bn - or less than half the level of 1984. Of this, \$1.1bn is still due to the Community and \$2.6bn is outstanding on a syndicated Eurocredit.

In terms of deregulation of the financial markets, the most reaching measure is the decision to do away from the beginning of next year with the system of controlling bank lending through credit ceilings.

Parallel with this, competition will be encouraged within the banking system by giving banks freedom to set their own rates on term deposits of more than three months and by abolishing the requirement that the opening, closing and transfer of branches should be subject to official approval.

Among measures intended to broaden the range of money market instruments available to corporate treasurers, Mr Balladur announced that the minimum maturity on certificates of deposit issued by banks would be cut to three months (from June) and eventually to 10 days.



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World Weather

| Area | Temp | Wind | Cloud | Pressure | Area | Temp | Wind | Cloud | Pressure |
|--------------|------|------|-------|----------|-----------------|------|------|-------|----------|
| Africa | 21 | 7 | 10 | 1012 | North America | 15 | 10 | 1015 | 1015 |
| Alps | 18 | 8 | 10 | 1012 | South America | 18 | 10 | 1015 | 1015 |
| Andes | 18 | 8 | 10 | 1012 | Asia | 18 | 10 | 1015 | 1015 |
| Antarctica | 28 | 08 | 10 | 1012 | Australia | 18 | 10 | 1015 | 1015 |
| Arctic | 36 | 08 | 10 | 1012 | Europe | 18 | 10 | 1015 | 1015 |
| Baltic | 18 | 8 | 10 | 1012 | India | 18 | 10 | 1015 | 1015 |
| Benelux | 18 | 8 | 10 | 1012 | Japan | 18 | 10 | 1015 | 1015 |
| Bombay | 28 | 08 | 10 | 1012 | Latin America | 18 | 10 | 1015 | 1015 |
| Buenos Aires | 18 | 8 | 10 | 1012 | Middle East | 18 | 10 | 1015 | 1015 |
| Calcutta | 28 | 08 | 10 | 1012 | Northern Africa | 18 | 10 | 1015 | 1015 |
| Cairo | 18 | 8 | 10 | 1012 | North America | 18 | 10 | 1015 | 1015 |
| Chennai | 28 | 08 | 10 | 1012 | South America | 18 | 10 | 1015 | 1015 |
| Colombo | 28 | 08 | 10 | 1012 | Europe | 18 | 10 | 1015 | 1015 |
| Dacca | 28 | 08 | 10 | 1012 | India | 18 | 10 | 1015 | 1015 |
| Dhaka | 28 | 08 | 10 | 1012 | Japan | 18 | 10 | 1015 | 1015 |
| Dubai | 28 | 08 | 10 | 1012 | Latin America | 18 | 10 | 1015 | 1015 |
| Delhi | 28 | 08 | 10 | 1012 | Middle East | 18 | 10 | 1015 | 1015 |
| Doha | 28 | 08 | 10 | 1012 | Northern Africa | 18 | 10 | 1015 | 1015 |
| Durham | 28 | 08 | 10 | 1012 | North America | 18 | 10 | 1015 | 1015 |
| Edinburgh | 18 | 8 | 10 | 1012 | South America | 18 | 10 | 1015 | 1015 |
| Geneva | 18 | 8 | 10 | 1012 | Europe | 18 | 10 | 1015 | 1015 |
| Hankow | 28 | 08 | 10 | 1012 | India | 18 | 10 | 1015 | 1015 |
| Hong Kong | 28 | 08 | 10 | 1012 | Japan | 18 | 10 | 1015 | 1015 |
| Hyderabad | 28 | 08 | 10 | 1012 | Latin America | 18 | 10 | 1015 | 1015 |
| Imbabura | 28 | 08 | 10 | 1012 | Middle East | 18 | 10 | 1015 | 1015 |
| Jakarta | 28 | 08 | 10 | 1012 | Northern Africa | 18 | 10 | 1015 | 1015 |
| Jeddah | 28 | 08 | 10 | 1012 | North America | 18 | 10 | 1015 | 1015 |
| Johannesburg | 28 | 08 | 10 | 1012 | South America | 18 | 10 | 1015 | 1015 |
| Kobe | 28 | 08 | 10 | 1012 | Europe | 18 | 10 | 1015 | 1015 |
| Kuala Lumpur | 28 | 08 | 10 | 1012 | India | 18 | 10 | 1015 | 1015 |
| Lahore | 28 | 08 | 10 | 1012 | Japan | 18 | 10 | 1015 | 1015 |
| London | 18 | 8 | 10 | 1012 | Latin America | 18 | 10 | 1015 | 1015 |
| Lyons | 18 | 8 | 10 | 1012 | Middle East | 18 | 10 | 1015 | 1015 |
| Manila | 28 | 08 | 10 | 1012 | Northern Africa | 18 | 10 | 1015 | 1015 |
| Mumbai | 28 | 08 | 10 | 1012 | North America | 18 | 10 | 1015 | 1015 |
| Nairobi | 28 | 08 | 10 | 1012 | South America | 18 | 10 | 1015 | 1015 |
| Rangoon | 28 | 08 | 10 | 1012 | Europe | 18 | 10 | 1015 | 1015 |
| Riyadh | 28 | 08 | 10 | 1012 | India | 18 | 10 | 1015 | 1015 |
| Singapore | 28 | 08 | 10 | 1012 | Japan | 18 | 10 | 1015 | 1015 |
| Sourabaya | 28 | 08 | 10 | 1012 | Latin America | 18 | 10 | 1015 | 1015 |
| Taipei | 28 | 08 | 10 | 1012 | Middle East | 18 | 10 | 1015 | 1015 |
| Tokyo | 28 | 08 | 10 | 1012 | Northern Africa | 18 | 10 | 1015 | 1015 |
| Yokohama | 28 | 08 | 10 | 1012 | North America | 18 | 10 | 1015 | 1015 |

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday May 16 1986

HOME OF THE NATIONAL GARDEN FESTIVAL 1986
Staffordshire
Where ambitions are achieved

More US oil groups forced into write-offs

By Paul Taylor in New York

THE SEARING impact of the oil and energy price slump was dramatically highlighted again yesterday when a string of major US oil and gas companies and an oilfield equipment manufacturer reported substantial write-offs, revised earnings results, losses and cutbacks.

As a result of the SEC decision, Pennzoil said its 48.7 per cent owned affiliate, Proven Properties, wrote down its oil and gas property share of this charge was about \$58m or \$1.43 a share.

Separately, Ashland Oil, the US oil refiner and petroleum products group, revised its employee benefits plan covering 8,000 salaried employees and recovering between \$200m and \$300m in excess pension assets which will be used for general corporate purposes.

FFr 2.5bn share sale for Crédit Lyonnais

By David Marsh in Paris

CREDIT LYONNAIS, the second largest French nationalised bank, yesterday announced a FFr 2.5bn (\$339m) issue of non-voting shares designed to bolster its capital resources.

Home market rivalry hampers BMW growth

By David Brown in Munich

BMW, the West German car and motorcycle manufacturer, reported parent company turnover up by 2.5 per cent to DM 5.3bn (\$2.4bn) in the first four months, but it expects both sales revenue and earnings this year to stabilise at 1985 levels.

However, the group managed to raise 1985 unit sales in the US by one-quarter to 88,000 units despite a weaker overall market, and total foreign deliveries rose by 7 per cent to 292,500.

National Intergroup deeper in loss

By Terry Dodsworth in New York

NATIONAL Intergroup, the US steel and distribution company which has been steadily moving out of the metals business, slumped more deeply into loss in the first quarter of this year, when it was hit by heavy charges in its oil and steel services subsidiaries.

Pharmacia outpaces weak dollar

By Our Financial Staff

PHARMACIA, the Swedish pharmaceutical and biotech group, reported a 12 per cent increase in pre-tax profits for the first quarter of 1986, despite the negative impact of the weakened dollar.

Dome deficit widens as oil price slumps

By Bernard Simon in Toronto

THE SLUMP in oil and gas prices pushed up Dome Petroleum's first-quarter loss to C\$72m (US\$52.2m) equal to 21 cents a share, from C\$23m or 10 cents a share, a year earlier. The latest loss was after a tax credit of \$24m.

The latest quarterly returns included a net gain of C\$79m from the sale of 10m shares in Dome Mines. First-quarter income from oil and gas operations was almost halved.

Biotechnology venture for Kodak

By Our New York Staff

EASTMAN KODAK, the US photographic products and chemicals group, yesterday extended its push into the pharmaceuticals business by announcing a joint venture agreement with Cytogen, a Princeton, New Jersey-based biotechnology company.

Gould charge results in \$115.1m loss

By Our New York Staff

GOULD, the US electronic, computer, instrumentation and defence systems group, said yesterday that it has taken a \$130m special charge against first-quarter earnings to reflect estimated losses on fixed-price defence contracts.

Bilfinger and Berger cuts payout to DM 9

By Peter Bruce in Bonn

BILFINGER and Berger, one of West Germany's biggest construction groups, is cutting its 1985 dividend from DM 10 to DM 9 following a 35 per cent drop in net profits to DM 14.6m (\$6.85m).

Although domestic activity was beginning to pick up again, he said, construction in Bilfinger and Berger's foreign markets was contracting quickly and he hinted at significant, though unspecified, rationalisation measures to cope. The group employs 24,000 people, 16,000 outside West Germany.

Earlier this year Pharmacia announced a 16 per cent rise in profits for the whole of 1985, but warned that growth during 1986 was likely to be slower.

The company said that, based on US accounting principles, a write-down of its oil and gas assets totaling C\$564m net of deferred taxes would be required. Such a write-down would have brought the first-quarter loss to C\$82m. Dome said that the write-downs were not required by Canadian accounting principles.

Kodak will acquire a 16 per cent stake in Cytogen for \$15m and spend up to \$6m over a three-year period to fund the development of cancer treatment products. The agreement is the latest in a series of joint ventures by Kodak's new Life Sciences division.

USAF contract for Snecma

By Our Paris Correspondent

SNECMA, the French state-controlled aero-engine group, has a half share in a \$461m order received from the Pentagon to provide new engines for the US Air Force's fleet of Boeing KC-135 transport aircraft.

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Concurrent loss hits Perkin-Elmer

By Our New York Staff

PERKIN-ELMER, the US high-technology group, yesterday posted a 14 per cent decline in fiscal third-quarter net earnings citing, in part, losses at Concurrent Computer, the super-mini-computer group which was spun off as a separate company late last year.

Perkin-Elmer reported net earnings of \$52.1m, down from \$37.8m or \$1.50 a share in the year-ago period on sales which fell to \$947.7m from \$954.4m.

Concurrent Computer, the super-mini-computer group which was spun off as a separate company late last year, reported net earnings of \$52.1m, down from \$37.8m or \$1.50 a share in the year-ago period on sales which fell to \$947.7m from \$954.4m.

Baxter Travenol

By Our New York Staff

BAXTER Travenol, the US pharmaceutical and medical services group, is on track to meet analysts' expectations of earning 15 to 20 cents for the second quarter and 70 to 80 cents for the full year.

Oerlikon downgrades sales forecast

By John Wicks in Zurich

OERLIKON-BÜHRLE, the Swiss industrial concern, has downgraded its 1986 sales-growth projection from 10 per cent to less than 5 per cent in view of exchange rates.

He explained that the recent SFr 1bn Canadian army order for the group's Adats missile system would not show up in corporate accounts until 1988. In the meantime, there was a lack of new business in conventional military products.

Amongst other operations, the Liechtenstein-based high-technology company Balzers expects "excellent results" and is to expand activities in Japan and the US while the welding technology division foresees a better year despite problems with an oil industry-linked subsidiary in Houston.

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May 16, 1986 London
By: Citibank, N.A. (CSSI Dept.), Agent Bank
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New Issue / May, 1986

Phibro-Salomon Inc

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ZURICH: Salomon Brothers Inc, Stadelhoferstrasse 22, 8024 Zurich, Switzerland

INTL. COMPANIES & FINANCE

Laidlaw raises Mayflower bid

Laidlaw Transportation, the Canadian school bus and waste management group, has increased its US\$216m, or \$28 a share, cash tender offer for all the common shares of the Mayflower group to US\$29.25, our Financial Staff writes.

Laidlaw said the new offer, which values the Indiana furniture mover at US\$255m, has been increased because of the price levels of trading in Mayflower shares since Laidlaw's original offer last week.

Laidlaw said its offer is conditional, among other things, on receiving a minimum of 3,300,000 common shares of Mayflower.

Massey-Ferguson changes name

BY BERNARD SIMON IN TORONTO

MASSEY-FERGUSON, the Canadian farm and industrial machinery maker, is to change its name to Varity Corporation as part of efforts to distance itself from its recent image as a financially troubled company dependent on the farm equipment market.

The new name, which will take effect after next month's annual meeting, will apply to the parent company but not to individual products. Massey-Ferguson tractors, Perkins diesel engines and Pacoma hydraulic components, all made by Massey-Ferguson subsidiaries, will thus retain their present identity.

Announcing the name change in

Toronto, Mr. Victor Rice, chairman, also said that Massey was working on a major acquisition which will graft another division on to the company.

Massey's share price on the Toronto Stock Exchange has risen sharply on heavy trading volumes in the past week.

The name change comes less than a week after completion of a financial restructuring. Massey has reduced its long-term debt by 47 per cent and hived off its loss-making combines business into a new company in which it has a minority interest. In its new form, the com-

pany last week reported earnings of US\$1.9m for the year to January 31. Mr. Rice said: "We are changing our name because we are a new company with new strategic priorities and directions." The name Varity was initially selected by the company's communications department from a list of 1,500 proposals.

Massey is the second largest American company to distance itself from the troubled farm machinery business by changing its name. International Harvester became Harvest International earlier this year after selling its farm equipment division.

This announcement appears as a matter of record only.



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Dresdner Bank Aktiengesellschaft

Fuji International Finance Limited

Kidder, Peabody International Limited

LTCB International Limited

Mitsubishi Finance International Limited

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The Nikko Securities Co., (Europe) Ltd.

Orion Royal Bank Limited

Société Générale

Yamaichi International (Europe) Limited

May 1986.

All of these securities have been sold. This announcement appears as a matter of record only.

April 1986

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Common Stock

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Ireland
£50,000,000

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S. G. Warburg & Co. Ltd.
Agent Bank

U.S. \$200,000,000
First Chicago Corporation

Floating Rate Subordinated Notes due 1992

In accordance with the provisions of the Notes notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 7.10% per annum.

The Coupon Amount payable on the 19th August, 1986 will be US\$181.44.
Manufacturers Hanover Limited
Agent Bank



New Zealand

£200,000,000

Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 14th May, 1986 to 14th August, 1986, the Notes will bear interest at the rate of 10 1/4 per cent. per annum. Coupon No. 4 will therefore be payable on 14th August, 1986 at £1291.78 per coupon from Notes of £50,000 nominal and £129.18 per coupon from Notes of £5,000 nominal.

S. G. Warburg & Co. Ltd.
Agent Bank

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NZ \$100,000,000

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Goldman, Sachs & Co.

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Morgan Stanley & Co.

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April 1986

New Issue

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April 1986



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Copenhagen Handelsbank A/S

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Skandinaviska Enskilda Limited

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Union Bank of Finland Ltd

Westdeutsche Landesbank
Girozentrale

Handwritten Arabic text: صبيحة من الاصل

INTL: COMPANIES & FINANCE

Carrian may repay up to 24% of claims

By Our Financial Staff
CREDITORS of Carrian Investments, the Hong Kong property and shipping company which collapsed in 1983, may recover as much as 24 per cent of the HK\$2.7bn (US\$345.6m) outstanding claims against the group.

Hill Samuel takes action against brokers

HILL SAMUEL Merchant Bank Asia said it had sued four Singapore stockbroking houses exposed to forward contracts for a total of \$14m (US\$6.32m).

Pioneer Electronic back in the black

PIONEER ELECTRONIC, the Japanese maker of audio equipment, produced consolidated net profits of ¥2.35bn (\$14.4m) in the first half to March, a turnaround from a ¥200m deficit, writes Yoko Shibata in Tokyo.

Palabora Mining increases dividend

PALABORA MINING, the South African copper producer in the Rio Tinto Zinc group, is raising its first quarterly dividend for 1986 to 30 cents (Sp). This compares with 20 cents for the same quarter of 1985 when the year's total reached 189 cents.

Cathay Pacific dealings test Hong Kong Exchange

BY DAVID DODWELL IN HONG KONG

THE CAPABILITIES of Hong Kong's new, fully computerized, unified stock exchange were put to the test yesterday as hectic first-day dealings in Cathay Pacific Airways resulted in one of the heaviest trading sessions on record.

Westpac growth held in check

BY LACHLAN DRUMMOND IN SYDNEY

WESTPAC Banking Corporation, Australia's largest commercial bank, suffered a narrowing of interest margins and a decline in growth for non-interest income in its half-year to March, with net earnings emerging only 5.8 per cent higher at A\$196.1m (US\$189.5m) compared with A\$185.4m.

Kyocera suffers first fall in eight years

KYOCERA, the leading Japanese maker of integrated circuit ceramic packages, suffered a 45.8 per cent fall in parent company pre-tax profits to ¥39.27bn (\$240.4m) in the year to March, its first year-to-year fall in eight years, writes Yoko Shibata in Tokyo.

Reunert dives into loss

BY JIM JONES IN JOHANNESBURG

SUBSTANTIAL CUTS in capital spending by South Africa's state-owned industries severely affected the first-half profit performance of Reunert, the Barlow Rand Group's electronics, telecommunications and electrical equipment arm.

JAPANESE COMPANY RESULTS

Table with 4 columns: Company Name, Year to, Mar '86, Mar '85. Rows include MAKINO MILLING MACHINE, MISSIN FOOD PRODUCTS, PARENT COMPANY, and YASKAWA ELECTRIC INDUSTRIAL MOTORS.

This drain of almost three times the total of notes and coin in issue in Hong Kong put extraordinary strains on the domestic banking system and has seriously disrupted inter-bank interest rates over the past two weeks.

Group revenue rose 30 per cent to A\$3.84bn while interest costs jumped 40 per cent to A\$2.27bn. Non-interest operating costs, including depreciation, climbed 19 per cent to A\$1.03bn.

industry recession which is believed to have bottomed out in the third quarter. Electronics components held up reasonably well, with sales firming by 0.5 per cent.

AT&T logo and text: AT&T has established a controlling interest in AT&T Microelectrónica de España, S.A., a new joint venture with Compañía Telefónica Nacional de España, S.A. The undersigned acted as financial advisor to AT&T in this transaction. Morgan Guaranty Trust Company of New York

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SAMSUNG ELECTRONICS CO., LTD. notice to the holders of US\$20,000,000 5 percent convertible bonds 2,000. NOTICE IS HEREBY GIVEN TO THE HOLDERS OF ABOVE BONDS THAT the Board of Directors Meeting of the Company, held on May 2, 1986 resolved to issue NEW SHARES under the following terms and conditions:

THE PROPERTY MARKET BY WILLIAM COCHRANE

INVESTMENT INITIATIVES

Overseas influences on the UK unitisation debate

THE remarkable changes taking place in property investment, against the background of the "Big Bang," were underscored by David Sizer, a senior partner of Richard Ellis, last Friday when he dubbed it "the last of the unmodernised markets."

Richard Ellis itself, with County Bank, has recently promoted its own property investment vehicle known as P.I.N.C. But Mr Sizer anticipated more competition in the market from the City's new financial conglomerates; and, on top of that, he noted some foreign influences.

& York's \$200m CMO last December and \$16m for Fisher Brothers, another major New York developer, which followed. Both were Euromarket issues, relatively highly rated as a consequence, but the O & Y bonds have still appreciated by 10 per cent since their issue due to a 200 plus basis points drop in long term interest rates.

Greycoat upgrades its City office

IN A WEEK which has brought Peter Plumbe's Poultry scheme in front of the planners again, and taken Lloyds Bank south of the Thames, the appointment of City-based Peter Thornton as joint managing director of Greycoat underlines the City of London's pivotal importance in the property development business.

Advertisement for Hamover Street, Mayfair, London W1. Features a large '8' logo and text: 'A Superb New Air-Conditioned Office Development 8,000 sq. ft. approx.' Includes contact info for Teacher Marks and SMITH MELZACK.

Advertisement for 2 Purley Way, Croydon. Major Office Headquarters. Freehold - 50,000 Sq.Ft. Industrial Buildings at the Rear. Leasehold - 30,000 Sq.Ft. Includes contact info for Harold Williams and Sinclair Goldsmith.

Advertisement for Sapphire Plaza, Reading. Offices in the perfect setting. A new air-conditioned headquarters office building, comprising 47,500 sq.ft. of flexible space with 100 car-parking spaces, situated in the heart of Reading. Includes contact info for Buckell & Ballard and Farebrother.

Advertisement for URGENTLY REQUIRED Sites for Retail Warehouse Development. 2 to 10 Acres. Adjoining major arterial roads. All replies in strict confidence to: EDWARDS SYMONS & PARTNERS.

Advertisement for AN OFFICE IN THE SQUARE MILE. Fully furnished executive suite? Comprehensive service facilities? Immediate occupation? Includes contact info for The City Business Centre.

Advertisement for AUCTION SALE OF COMMERCIAL PROPERTIES. 16 LOTS PRODUCING IN EXCESS OF £300,000 PA. Includes contact info for Casaloques from BARNARD MARCUS.

Advertisement for Commercial Property Advertising. Appears every Friday for details. Ring 01-248 0769.

Advertisement for Investments For Sale. 20.2% INITIAL YIELD on lock-up share investments in Coventry. Includes contact info for Vigers.

Advertisement for Factories and Warehouses. Excellent heated. Reversionary shop and office investment. Includes contact info for Vigers.

Advertisement for LONDON WC2. ENTIRE SELF CONTAINED AIR-CONDITIONED OFFICE FLOORS. 4,000 SQFT UP TO 27,000 SQFT. Includes contact info for DONALDSONS and DE & J LEVY.

Advertisement for 15 Half Moon Street, London W1. Mayfair Office Building. 3,700 sq. ft. TO BE LET. Includes contact info for Hillier Parker.

Advertisement for Required immediately for clients. Offices 20,000 to 60,000 sq.ft. Short term only. Hillier Parker. Includes contact info for Hillier Parker.

Advertisement for MODERN OFFICES AT A FRACTION OF 'CITY COSTS'. 12 MINUTES FROM CITY. 1,500 sq.ft.-4,000 sq.ft. FROM £5.00 sq.ft. Includes contact info for GLENNY.

Advertisement for International Property. OWN IN SWITZERLAND THROUGH PROMOTION MARKETING MANAGEMENT. Includes contact info for GLENNY.

Advertisement for FOR SALE IN YORK CITY CENTRE. Complete early VICTORIAN THEATRE in PRIME POSITION. Includes contact info for Hillier Parker.

Advertisement for DOCKLANDS PROPERTY CENTRE. Network House, The Lanterns, Millharbour, London E14. COMMERCIAL PROPERTIES THROUGHOUT THE DOCKLANDS. Includes contact info for DOCKLANDS PROPERTY CENTRE.

Advertisement for OFFICES. GUILDFORD. 2,895 sq. ft. offices in modern building with car parking. Lease for sale. Includes contact info for GLENNY.

Advertisement for 100% IBAs. 8 - 9% yield. £60,000 - £80,000. PHONE M. ORCHARD. Includes contact info for IMFC LTD.

Advertisement for PARIS HOTEL AREA. Three-star-luxury category. 200 rooms. RESTAURANTS, SHOPPING MALL. Includes contact info for GROUPE PIERRE BATON S.A.

UK COMPANY NEWS

Oil companies' profits surprise City

Royal Dutch/Shell and British Petroleum both reported sharply reduced first-quarter profits yesterday on an historic cost basis, writes Max Wilkinson.

However, on the alternative current cost of supplies basis the results of both groups showed sharply increased after-tax profits compared with the figures for the first quarter of 1985.

The steepness of the rise in replacement cost profits—42 per cent in the case of Royal Dutch/Shell and 84 per cent for BP—took City analysts by surprise.

These large and contrary swings result from the different way in which the fall in oil prices show up in the two methods of accounting.

However, both companies face a further erosion of their upstream profits in the second quarter. BP said that its results reflected an average price of \$20 per barrel compared with \$25 in the pre-

vious quarter. Since then, crude prices have fallen further, with the Brent crude now dipping below \$10 per barrel before recovering to yesterday's level of \$14.

In spite of the ravages which falling oil prices have made to the historic cost profits, the share prices of Shell and BP both rose on the London Stock Exchange yesterday—Shell Transport and Trading by 8p to 773p but BP's fell by 10p to 553p.

For both companies, the fall in historic cost net income reflected an after-tax loss on oil stocks: \$593 m for Shell and \$718m for BP. This represented the fall in the value of stocks purchased last autumn when prices were much higher.

The rise in net profits on a current cost of supplies basis reflects the fact that the cost of replacing present stocks has fallen much faster than the price when the companies could obtain for products, including petrol.

Shell's own equity production of oil in the first quarter at 1.75m barrels a day was only 56 per cent of the crude processed by its refineries on a worldwide basis.

On a replacement cost basis, therefore, the lower price of bought-in crude benefits the company so long as prices for its products do not fall too steeply.

On the historic cost basis, Shell and BP essentially had to set off the cost of old stocks of higher priced crude against the weakening prices of products.

In the second and third quarter the disparity between results of these two accounting methods is likely to be reduced unless there is another sharp change in the level of oil prices.

Historic cost profits will tend to improve as stock losses drop out of the accounts, but replacement cost profits are likely to fall also as product prices respond to the continued downward pressure of lower crude

Mr David Gray, oil analyst for brokers James Capel, estimates that for both companies the margin obtained on the sale of petroleum products rose to an average of about 6p per gallon in the first quarter, compared with about 11p a year ago. He thinks the margin is likely to fall back as a result of competition in the market place.

As these profit margins are eroded he expects replacement cost profits to fall. In the case of BP he said replacement and historic costs could both settle at around £250m.

The British Council of Churches, the Central Finance Board of the Methodist Church and the United Reform Church all announced yesterday that they had sold or were about to sell their shares in Shell Transport and Trading as a result of the company's continued involvement in trade in South Africa and Namibia.

See Lex

The Pru builds up estate agency network

By Eric Short

THE Prudential Corporation, Britain's largest life company, has taken another step towards its goal of a nation wide chain of estate agents.

Its subsidiary, Prudential Services, has acquired A. C. Frost and Company, a major estate agency chain, for an undisclosed sum.

This third estate agency acquisition with its network of 31 offices in the Thames Valley area—Berkshire, Buckinghamshire, Middlesex, Oxfordshire and Surrey—brings the total number of estate agency outlets for Prudential Property to 76.

In the past year, Frost completed deals on more than 3,200 residential properties involving a value of around £260m.

The Prudential Corporation has been expanding its retail financial service operations beyond its traditional insurance based products into other sectors—the most notable being direct unit trust management and estate agency operations.

It recently announced a £357m rights issue to finance this expansion programme of which at least £100m was earmarked for a nationwide estate agency chain of at least 500 offices by the end of the year.

Mr Graham Clay, managing director of Prudential Property Services, said that the Frost acquisition epitomised the type of operation the Pru was looking for to develop its national estate agency chain—well managed, progressive and enjoying an excellent reputation for a high standard of service.

At present the Pru is represented in Southern England, the Thames Valley and the Fenlands. Mr Clay anticipated a further acquisition within a month of an estate agency chain situated further north.

Exchange rates depress GrandMet profit by £13m

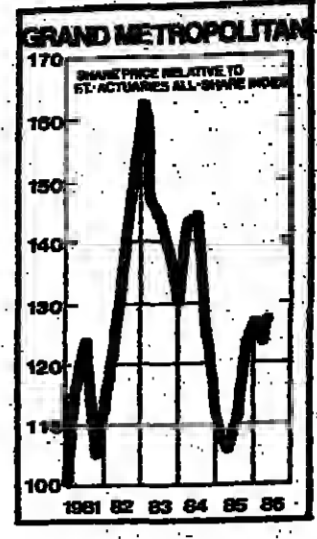
Grand Metropolitan, the hotels, brewing and leisure group, was badly hit by adverse currency movements in the first half of the 1985-86 year. The interim pre-tax profit, just 6 per cent ahead at £140m, would have been £134m higher had they been translated at last year's rates.

The effect was most noticeable in the US consumer products division, where trading profits fell nearly 9 per cent to £38.4m. Expressed in dollars, the outcome would have been 11 per cent higher, benefiting from an improvement in margins in the cigarette business despite the fall in demand for stress equipment.

The interim dividend is raised from an adjusted 3.636p to 4p, with earnings per share standing at 12.7p (11.9p adjusted). The charge for tax fell from \$34.6m to \$30.6m, but there was a lower extraordinary credit of £17.1m (£26m).

An analysis of trading profit in the UK shows: brewing £34.2m (£30.5m); consumer services £33.2m (£28.5m); foods £15.9m (£11.1m). In the international division wines and spirits made £62.1m (£58.6m).

The directors say that the



benefited particularly from the success of its licensed retailing and industrial catering activities. Foods' trading profit was significantly higher than a year ago, despite the sale of its liquid milk business in the north of England.

Interest charges fell from £55.8m to £51.2m, mainly because of lower rates and favourable exchange movements.

The company also said that it was still keen to dispose of its US cigarette business Liggett & Myers, and the fact that this was back in profit might make it more attractive to a potential buyer, though none has yet been found.

The company also indicated yesterday that the US reluctance to visit Europe this summer would depress its hotels business, the main profit earners being those on the Continent. Hotels are included in the group's international division, which saw static profits of £10.7m for the half year to March 31, 1986.

The directors say that the acquisitions and disposals made over the last year distort the comparable figures, which show a fall of £179m to turnover of £2,577m and trading profits of £191.5m (£187.7m).

See Lex

Shell rides out crude price fall

Royal Dutch Shell yesterday reported a 34 per cent fall in its first quarter after-tax profits compared with the first quarter of 1985 to £718m on an historic cost basis.

However, on a current cost of supplies basis after-tax profits rose by 42 per cent to £1.31bn.

Shell warns: "It is likely that average crude prices for the second quarter will be lower than for the first quarter and this would further reduce earnings in the group's exploration and production sector, in addition to the normal seasonal decline."

It says that pressure on margins in the manufacturing, marine and marketing divisions can be expected to increase.

Shell's first quarter accounts show that in spite of the fall in crude prices the group gener-

ated a £541m increase in cash and short term securities while reducing total debt by £171m.

This compared with a cash surplus of £333m in the first quarter of 1985 after a debt reduction of £949m.

Shell said that capital and exploration spending had been undergoing a re-assessment in the light of lower oil prices.

For 1986, total planned spending on these items had been cut by 12 per cent to £5bn. Shell says this reflected the views of host governments and joint venture partners.

Shell's equity production of crude oil at 1.75m barrels a day was 5 per cent higher than the level a year earlier, while natural gas production was up 3 per cent in volume at 7.79bn cu ft per day.

In the downstream operations (manufacturing, marketing and

marine) the group reported unchanged sales volumes, with a 4 per cent rise in the volume of gasoline sales and a 5 per cent rise for diesel offset by a 14 per cent reduction in fuel oil sales.

Reported earnings for the world outside the US dropped sharply from £315m in the corresponding period of 1985 to only £40m, but this was after accounting for stock losses of £574m.

On a current cost basis downstream profits rose steeply from £129m in the first quarter of 1985 to £614m. In the US dollar earnings rose by \$63m to \$61m in the first quarter of 1986.

The accounts show the cushioning effect of high marginal tax on upstream profits. Total income before tax was £1.95bn in the first quarter of 1986 compared with £3.13bn a

year earlier. However the tax bill fell from £2.01bn to £1.23bn.

Earnings in the chemicals business fell from £94m to £30m outside the US, while earnings from coal were sharply down at £1m compared with £5m a year ago.

Currency exchange losses of £78m in the first quarter compared with losses of £106m a year earlier. The losses arose mainly on dollar funds held by the group and on other assets as the dollar weakened against sterling and other currencies.

Group turnover fell from £20,030m a year ago to £15,330m. A year earlier demonstrators forced the suspension of the Shell annual general meeting yesterday with generalist questions about the company's involvement in South Africa.

M.W.

Crowther may bid for Sunbeam

John Crowther Group, the rapidly expanding textiles group, has bought a 21.5 per cent stake in Sunbeam Wooley, the Irish textiles manufacturer, and started talks which may lead to a bid for the company.

Sunbeam shares rose on the news, to close at 116p, up 10p on the day, giving it a market capitalisation of £9.7m.

Crowther's stake was acquired at a price of 106 1/2p a share, apparently from Namaval Holdings, a Panamanian company, which yesterday announced that it had disposed of a similarly

large stake.

Sunbeam's interests include the manufacture of wool knitted products and industrial yarns and several of its subsidiaries are in the UK. In 1985 it recorded pre-tax profits of £1.34m (£1.21m) on turnover of £32.16m.

The Crowther Group has been transformed from a relatively small company into a substantial force in the UK textiles industry in the last few months through a rapid succession of takeovers.

In October it became a lead-

ing carpet manufacturer through a complex three-way deal in which it acquired Carpets International UK and Weavercraft, another carpets company.

Then in March it made an agreed £37.5m takeover bid for MCD Group, a floor coverings distributor, and another of £9.1m for WW Group a clothing distributor. Later the same month it announced the acquisition of the assets and goodwill of J. Barlow and Co (Nottingham), a knitwear manufacturer, for £1m.

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BP warns of a volatile market

British Petroleum reported a fall in its historic cost after tax profit to £22m in the first quarter of the year compared with £515m a year ago.

The company said "this was after stock losses of £718m caused by falling oil prices."

However, on a replacement cost basis, the group's profits after tax rose to £740m, compared with £402m in the first quarter of 1985.

Sir Peter Waters, group chairman, said: "The composition of the replacement cost operating profit has changed significantly, with decreased contributions from BP Exploration and Standard Oil (the US

subsidiary) offset by strong performances from our refining and marketing and chemicals businesses."

He added: "The oil market is likely to remain highly volatile in 1986 and we are taking positive steps to sustain our financial strength by tightly controlling planned capital and operating expenditure."

BP Exploration produced an average of 701,000 barrels per day of crude oil, 12 per cent more than in the fourth quarter of 1985, with 70 per cent of it coming from the UK.

However, on a replacement cost basis BP Exploration's operating profits of £241m were

44 per cent less than the result for the first quarter of last year.

BP Oil International, the downstream operation, recorded a sharp increase in replacement cost operating profit at £403m compared with only £61m in the same period of 1985. However, this pre-tax profit was too little to cover the £520m stock loss and the historic cost operating loss was £117m.

The chemicals division made a pre-tax replacement cost profit of £53m, compared with only £4m a year earlier.

Standard Oil of the US contributed a £20m historic cost loss. Its contribution of £152m

on a replacement cost basis was £81m lower than in the first quarter of 1985.

Earnings per share dropped from 28.2p in the first quarter of 1985 to 1.2p.

The group generated £396m in funds in the first quarter of this year compared with £33m a year ago. Debt was reduced by a further £896m.

Group turnover fell from £11,480m to £8,480m. However, BP's capital expenditure fell only 8 per cent to £427m. Standard Oil's capital spending fell by a third to £316m between the two quarters.

M.W.

DIVIDENDS ANNOUNCED

| | | | | | |
|------------------------|--------|---------|-------|------|------|
| Bank of Ireland | 141... | July 4 | 12 | 20.5 | 17.5 |
| Brit. & Commonwealth | 2.87 | July 10 | 2.2 | 5 | 4 |
| El Oro Mining | 4.62 | July 10 | 4.2 | 4.62 | 4.2 |
| Exploration | int. | Sept 30 | — | 2.1 | 2.1 |
| John Foster | 2.5 | July 16 | 2.5 | 3.5 | 3 |
| Grandmet | int. | Oct 6 | 3.64* | — | 9.1* |
| C. E. Heath | 17.4 | — | 15 | 24.4 | 21 |
| London Atlantic | 4.75 | July 14 | 4.25 | 6.7 | 6.1 |
| Radio Clyde | 1.25† | July 11 | 1.25 | — | 3.25 |
| Warner Esterline | int. | — | — | — | 18 |
| Western Selection Int. | 1.3 | July 4 | 1 | — | 2.7 |

Harvard raises stake in Warren

The shares of USM-quoted Lloyd's insurance broker Dewey Warren Holdings rose 10p to close at 121p yesterday after news that Harvard Securities had increased its stake in the company from 6.5 per cent to 8.9 per cent.

Harvard, the licensed dealer and over-the-counter market-maker, has recently been on the acquisition trail making an unsuccessful bid for United Computer and Technology, the investment trust, and then bidding for City and Foreign Investment.

OUR RESULTS AREN'T THE ONLY ATTRACTIVE THINGS WE PRODUCE

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| Amro Bank und Finanz | BA Finanz (Schweiz) AG | Bank in Leichtenstein Aktiengesellschaft |
| Bank of Tokyo (Schweiz) AG | Bankers Trust AG | Banque Internationale à Luxembourg (Suisse) SA |
| Deutsche Bank (Schweiz) AG | Dow Banking Corporation | J. Henry Schroder Bank AG |
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U.S. Dollar Fixed Rate Currency Swap

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THE FIRST BOSTON CORPORATION **CREDIT SUISSE FIRST BOSTON**

C E Heath profits hit by Australian insurance changes

PROBLEMS IN Australia meant static profits at C. E. Heath, the international insurance broker and underwriter...

In Australia, the State of Victoria has introduced a single state insurer system to the detriment of Heath's workers' compensation insurance business...

ments and some non-recurring reorganisation costs.

One cannot help feeling sorry for C. E. Heath. Because of two factors outside its influence it has reported its profits last year, and by the same two features is going to have to do spectacularly well in other areas to report any increase in the current year...

BSR plans to float Tenby and raise £12m

By Lucy Kellaway

BSR, the troubled electrical goods manufacturer is planning to float its UK electrical accessory and engineering businesses on the Stock Exchange at the beginning of next month.

BSR will be selling about 60 per cent of its holdings in the new group, called Tenby Industries, to raise an estimated £12m which will reduce its high level of borrowings.

Mr Frank Brown, managing director of BSR UK, said yesterday that the sale was strongly in the interests of both companies. Mr Brown will become managing director of Tenby, and give up his position on the BSR board.

Tenby is made up of two parts, one of which makes electrical accessories, and the other specialist engineering components.

B & C set for substantial programme of investment

DESPITE a sharp setback by its air transport activities the British and Commonwealth Shipping Company saw its profits for the 1985 year surge from £66.22m to £76.55m at the pre-tax level.

The company is now a diversified transport and financial services concern having substantially reduced its shipping activity.

The principal related costs of this move away from shipping were taken below the line and included in extraordinary items which emerged as a credit of £80.8m having taken in the profits from the sale for £108m of the company's holding in Exco International and the partial sale of the holding in Telerate Inc.

The book value of B and C's interest in Exco at end-December 1984 was £48.7m. The directors say it is clear that 1985 is to be a year of change, pointing out that there will be considerable diminution in the attributable profits of associated companies...



Mr John Gunn, an executive director of B and C

ahead at 19p and a final dividend of 2.6p (2.2p) lifts the total by 1p to 5p net per 10p share.

B & C sold its 21.4 per cent stake in Exco to the Kuwait Investment Office, the London-based organisation which handles much of Kuwait's oil wealth, last November.

Speculation had surrounded B & C's holding in Exco following the departure of Mr John Gunn, Exco's chief executive, for an executive directorship with B & C.

There are two schools of thought on the British and Commonwealth Shipping Company. One is that John Gunn, its recently recruited chief executive, will wave a magic wand and lead the company into a stream of 60-go financial ventures. The other is that B&C's trading base has eroded to such an extent, that its decline is irrevocable.

Aviation support services' profits fell to £5.1m (£6.1m) and hotels from £866,000 to £93,000. Office equipment, however, pushed ahead from £2.56m to £3.24m.

Operating profits also took account of the proceeds from the sale of aircraft amounting to £9.1m (£7.1m) and a provision for unrealised currency losses of £2m (£7.6m).

Income from investments added £2.07m more at £7.46m and interest charges were reduced from £14.21m to £2.51m. After tax of £30.61m (£24.04m) and minorities of £10.17m (£11.37m) profits emerged at £36.66m, compared with a previous £30.81m. Earnings came through 1.7p

COMPANY NEWS IN BRIEF

KING AND SHAXSON, the discount house, yesterday declared unconditional its takeover bid for Smith St Anby, the fellow discount house. Smith originally agreed to be taken over by Irving Trust, the US banking group, but switched its allegiance when King and Shaxson emerged with a higher offer.

NORTH MIDLAND Construction, civil engineer and public works contractor, incurred a lower £5,000 (£16,000) pre-tax loss for the six months to February 29 1986, on turnover up from £3.8m to £4.02m. Losses per 10p share are shown as 0.16p (0.71p). There is again no interim dividend. The group is changing its year end from August 31 to December 31, and the directors anticipate that results for the 10-month period will show a return to profitability.

ASDA PROPERTY Holdings, which came to the market in April 1985 has reported pre-tax profits of £1.1m for the year to end-December. For the nine months to end-1985, £368,000 was achieved. Turnover was £3.82m (£6.36m). As indicated

in the prospectus, the company is paying a 5p dividend for the period of earnings per 20p share of 5p (7.1p).

RANCO OIL Services incurred a loss of £95,000 for 1985 (profit £910,000) and blames global downturn in oil industry activities. Measures have been taken to gain maximum advantage of any upturn in the current year, and to broaden range of services beyond the immediate requirements of the oil industry.

EXTERNAL INVESTMENT Trust is raising its dividend from 12p to 14.5p net for the year ended March 31 1986, from earnings of 13.5p (£3.79p). The final 14.5p dividend, which came to £1.87m (£2.16m), including franked £877,000 (£884,000), unfranked £14,000 (£905,000), underwriting commission £306,000 (£175,000). Asset value was £45.1p (£49.5p) basic and 625.2p (487.6p) diluted.

GESTETNER HOLDINGS—in separate deals—subsidiaries in the US and Canada have sold their head office freehold properties for net proceeds

which, at present exchange rates, total £10.7m. These are approximately £1.5m above book amounts and will be used to repay a mortgage of £4.2m and reduce local borrowings.

HEITON HOLDINGS has agreed to acquire M. Doherty and Co. Doherty has carried on business as coal merchant, ship broker, and agent for many years. Principal assets is a 25 per cent shareholding in Consolidated Holdings which, through its three principal subsidiaries, Coal Distributors, P. Donnelly and Sons (Galway)

and R. and L. W. Hunter, is claimed the largest coal importing group in Ireland. Heiton already has a 27.5 per cent stake in C. H. Doherty and also owns a property in Westmoreland Street, Dublin.

THERMAL SCIENTIFIC has conditionally contracted to purchase Sharetree, designer and maker of electronic burn-in equipment, for £2.6m, satisfied by the issue of 490,897 Thermal shares. Of these, 412,895 will be placed at 425p each. In 1985 Sharetree produced sales of £1.5m and profits of £82,186;

Inchcape pays £18m in US assurance deal

By Alice Rawsthorn

Inchcape, the troubled international trading group, has secured the privately-owned US quality assurance company, the Intertek Services Corporation, for \$27.6m (£17.9m) in a cash deal.

Intertek is involved in the provision of inspection and quality assurance services to the US aerospace and defence industries. Through an association with Swede Control it also provides testing services to a West African government. In the year to December 31 it produced pre-tax profits of \$4m (£2.6m) and had a net asset value of \$2.8m (£1.8m).

Inchcape is already involved in the test and inspection industry through its subsidiary, Specialist Services International, which was acquired two years ago and provides inspection services throughout the world. Nonetheless Intertek will function as an autonomous subsidiary within Inchcape with its management structure left intact. The current chief executive, Mr Michael DeArmond, will become chairman. Inchcape has identified the test and inspection sector as a potential growth area and is now scouting about for new acquisition opportunities. In the year to December 31 Inchcape's pre-tax profits fell by £32.7m to just £16.2m. The company's share price lost 2p to 353p yesterday.

ANNUAL MEETINGS Optimistic outlook from GKN chief

GKN's results for the first four months of the current year were ahead of those for the corresponding period last year, the annual meeting was told by Sir Trevor Holdsworth, the chairman. He said he had no reason to amend or qualify the conclusion he came to two months ago, when he said the economic and commercial outlook for the immediate future continued to be generally satisfactory and that would enable it to achieve further overall financial improvement.

Iceland Frozen Foods shareholders were told that trading for the first part of this year has got off to a "bravura start". New branches were performing well and the expansion programme for the current year was ahead of earlier expectations. It has already 25 companies limited store opening for 1986 and expects the total for the year to be around 30, of which only nine will be open by the end of the first half. The 12 Orchard stores acquired at the end of last year are now into profit. The company is confident that overall performance this year will be at least in line with expectations.

Granville & Co. Limited

Table with columns: High, Low, Company, Price Change, Dividend, Yield, P/E, Fully Paid. Lists various companies like 148 118 Ass. Int. Ind. Ord., 151 121 Ass. Brit. Ind. Ord., etc.

MONEY BROKERS

Advertisement for Charles Fulton, MONEY BROKERS, INCOME • CAREER • LIFESTYLE AUSTRALIA. Includes text about Australia's economic boom and contact information for Charles Fulton.

GN Great Nordic Ltd (Registered in Denmark, No. 456) formerly known as The Great Northern Telegraph Company Limited

ACQUISITION OF THE BALANCE OF GN LAUR. KNUDSEN AS

In March, 1986 GN Great Nordic Ltd (the Company) entered into a series of purchases of the outstanding shares in its subsidiary company GN Laur. Knudsen as, which will result in the Company acquiring all the shares it did not previously own at a total cost of D.Kr. 321.8 million.

RIGHTS ISSUE

At the Company's Annual General Meeting held on 15th May, 1986 a resolution was passed to increase the share capital of the Company from D.Kr. 201,506,420 to D.Kr. 301,959,540 by offering new shares with a nominal value of D.Kr. 100,653,120 for subscription in Danish Kroner at a price of 400 per cent. of par, the Company's existing shareholders having prior subscription rights.

The new shares will entitle their holders to the full amount of any dividends to be declared in respect of the year ending 31st December, 1986 but not to dividends in respect of earlier periods. In all other respects the new shares will rank pari passu with existing shares.

A copy of the Circular to Shareholders dated 15th May, 1986, which includes Listing Particulars relating to the Company in accordance with The Stock Exchange (Listing) Regulations 1984, has been delivered to the Registrar of Companies in England and Wales as required by those Regulations.

Copies of such Circular containing such Listing Particulars, and giving further details of the acquisition of the balance of GN Laur. Knudsen and full particulars of the Rights Issue and the procedure for exercising such prior subscription rights, are available to shareholders, together with the related lodgement form, at Hambros Bank Limited, Stock Counter, 41 Bishopsgate, London EC2P 2AA, during normal business hours from today until 26th June, 1986.

Advertisement for Sidergica Lazaro Cardenas-Las Truchas, S.A. U.S.\$65,000,000 Floating Rate Notes due 1989. Includes details about the notes and contact information for Lloyds Bank.

Royal Insurance Estimated First Quarter Results for 1986

Table showing financial results for Royal Insurance. Columns: 3 months 31 March 1986 (unaudited) £m, 3 months 31 March 1985 (unaudited) £m, Year 1985 (audited) £m. Rows include General Insurance: Premiums Written, Underwriting Balance, Investment Income, etc.

- * There was a £66.7m improvement in the first quarter result with a pre-tax profit of £29.4m compared with a pre-tax loss of £37.3m in the same period last year.
* The recovery was most marked in the United States with a pre-tax improvement of £40.6m, the United Kingdom £17.7m and Canada £7.5m.
* All operating companies achieved better underwriting results to produce a small worldwide insurance profit after including allocated investment income.
* The profit from Royal Life Holdings increased by 18.6% to £7m (1985: £5.9m)

Royal Insurance logo and address: Royal Insurance plc, Group Head Office, 1 Cornhill, London EC3V 3QR. Includes a large illustration of a classical building.

Advertisement for Bristol, listing various products like Hewlett Packard, DuPont, Sun Life, Digital, London Life, Welbeck, Clerical Medical, Electrotech, British Aerospace, Rolls Royce.

Advertisement for Bristol Economic Development. Text: 'What's the big attraction? Is it Bristol's rapidly expanding high technology base? Or our highly skilled workforce? Or the pulling power of a major financial centre with excellent road, rail and air links? Or the allure of our beautiful environment? Of course, it's a combination of factors. How else could Bristol attract all these top companies? For further forceful arguments, contact Mike West, Bristol's Director of Economic Development. BRISTOL The attraction is magnetic. Bristol Economic Development Office, Brunel House, St. George's Rd, Bristol BS1 5UY Tel (0272) 291622 Telex 449714 BRIDDO G

UK COMPANY NEWS

North America helps Royal to £67m turnround

MUCH BETTER results from North America lifted Royal Insurance, the UK's largest composite insurer, to profits of £29.4m in the first quarter of 1986, a near £67m turnaround from the loss last time.

The pre-tax profit was well ahead of market expectations, which had looked for £10m at best, and the shares touched 952p, 30p ahead, before slipping back to close at 932p, just 1p up.

The recovery was most marked in the US, where the company made £13.3m in the three months to March 31, compared with a loss of £27.3m. In Canada, last year's deficit of £5.5m became a surplus of £2m.



Mr Alan Horsford, chief executive of Royal Insurance

Mr Alan Horsford, the chief executive, commented yesterday "while too much should not be read into one quarter's figures, the pre-tax profit provides a moderately encouraging basis for further progress during the rest of the year."

The first quarter saw losses persist in the international and Nederland divisions, at £0.3m (same) and £0.8m (£1m) respectively. Australia just broke even compared to the £1.1m loss last time.

Mr Horsford said: "In the rest of the world (outside North America and the UK) less progress was made but the trends were mostly in the right direction."

In the company's second biggest market, the UK, weather losses were again heavy at around £30m—virtually the same as last time—but despite this, profits turned round from a £11.2m loss to a £8.5m surplus.

Profit from general insurance was £1.3m against a comparable loss of £67.4m, with premiums written at £74.9m (£712.5m), and the deficit on the underwriting balance reduced from £139.9m

ment being achieved in commercial business.

In Canada the improving trend in commercial classes evident in the second half of 1985 continued, with a somewhat better result in the personal classes, including a marginal insurance profit. Premium growth in local areas of 31 per cent was accounted for by price increases, mainly in commercial business, which also assisted in the five points improvement in the expense ratio.

comment

In the first quarter of 1986 the Royal Insurance company found itself in the right place at the right time. Within the international insurance industry the boom-bust sector was commercial business, specifically in the US, UK and Canada. The share of all the composites, was best placed to benefit from the boom. The market had anticipated the trends but had underestimated the extent of the Royal's recovery, perhaps because adverse exchange rates exaggerated its dollar losses in the first quarter last year. Analysts have been busy upgrading their profit forecasts for the full year to £225m and a p/e of 13 on a reduced tax charge of 25 per cent far 1986 which will soar to 35 per cent in 1987 once the US losses are exhausted. The US commercial rate increases, which buoyed these results, will continue to filter through for the next year or so and the company anticipates continued recovery in Canada. The US commercial rate increases, which buoyed these results, will continue to filter through for the next year or so and the company anticipates continued recovery in Canada. The US commercial rate increases, which buoyed these results, will continue to filter through for the next year or so and the company anticipates continued recovery in Canada.

Exco to buy 15% of its own shares for £88m

By Lucy Kellaway

EXCO INTERNATIONAL, the money broking and financial services group, yesterday asked its shareholders to authorise it to buy up to 15 per cent of its own shares for a maximum price of £88m.

At the year end, the company had cash balances of more than £320m, boosted by the sale last year of its 53 per cent stake in Teletext.

Mr John Sangster, Exco's chairman, told shareholders in the 1985 annual report, published yesterday, that "the very substantial cash resources available to us will not be allowed to burn a hole in our pocket."

Although the group continued to look for substantial acquisitions in the financial services sector, it might become appropriate for the company to buy some of its own shares, he said.

Consequently, Exco is seeking permission to buy up to 35m shares at not more than 250p each.

If the company does purchase its own shares, it will only be the third major company, after GEC and Jacob Rothschild to have done so.

Last March, Exco called off merger talks with Morgan Grenfell, because the merged group fell foul of the Bank of England's O'Brien rules, which forbid close links between a bank and a money broker.

"This proposal, unfiled though it was, demonstrated that our basic objective is to add one or two major businesses to our existing three main activities of money broking, stockbroking and forfeiting," Mr Sangster said.

ECC ahead by £7.7m halfway

THE SALE of the leisure division and a big reduction in expenses and interest charges are the major benefits to come through in the half-year results of English China Clays.

For the six months ended March 31 1986, the profit before tax has increased from £24.96m to £32.08m. Group expenses and net interest charges were cut from £7.74m to £5.63m and the sale of the leisure side dispensed with losses—£2.83m in 1985.

On the trading front, ECC International and transport and services made £24.44m (£24.52m), quarries £2.99m (£3.79m), International Drilling Fluids £1.75m (£2.45m), and construction £2.52m (£2.13m).

The directors are lifting the interim dividend from 4p to 4.25p net, and intend to at least maintain the final at 7p.

In the half-year, certain subsidiaries have been sold. With the exception of the leisure division, their sales and profits are included in the half-year figures.

Inclusion of the leisure side would have meant taking in winter costs only, and it was thought this would be misleading. Therefore, these costs to January 31 (the effective sale date) of £3.1m and the related tax relief of £1.2m have been included in extraordinary items.

Sales of the subsidiaries raised £11m each, of which £12m leisure side, accounted for £37.5m. The company's current net borrowings are virtually nil. Earlier in the year the company had raised £88m through a rights issue.

Sir Alan Dalton, chairman, in his review of trading, says ECC International (formerly Clays) had a satisfactory half with sales levels to all markets at least maintained. Paper industries in Western Europe and the US held up well. ECC America produced a good result. Turnover in the half-year came to £310m (£334.4m) and trading profit to £26.71m (£24.92m), excluding leisure. Tax takes £11.8m (£9.7m) and minorities £11.6m (£18,000), to leave the net profit at £20.16m (£14.49m) for earnings of 9.94p (8.74p) per share.

comment

The City has perennially cast English China Clays as the designee victim of a takeover bid; and speculation as to a true net asset strength circa 55 pence plus last summer's happy £88m rights issue—certainly made ECC vulnerable in the second half of 1985. However, the boat is now on the other foot. First, those who subscribed to the rights at 250p have every reason to be happy with the rise to 349p.

Second, the dull and highly cyclical leisure activities have been sold to Rank. Third, with next to no debt and better rated paper, the prospect of ECC itself turning provider has been greatly enhanced. While no target springs immediately to mind, the tradition of agreed bids could be discarded for something in the region of £100m market capitalisation, with perhaps the odds being on the housing construction side. This year cash and profit generation is sufficiently strong to fund a generous capital spending programme—and although International Drilling Fluids cannot be expected to make much profit given the current climate, it seems to be coping better than some. This year ECC could surprise the market by reaching £35m pre-tax. At this level the shares are on a prospective multiple of 11. It is hard to argue that the stocks does not deserve a rating closer to the market's 14.

I. J. Dewhirst

Holdings p.l.c.
Clothing Manufacturers
Highlights from the Statement by the Chairman, ALISTAIR J. DEWHIRST for the year ended 17th January, 1986

- Profits**
* Group pre-tax profit £5,304,000—up 32.4%.
- Sales**
* Sales £57,569,000—up 33.8%.
- Dividend**
* Total Ordinary dividend for the year of 1.10p per share—an increase of 21.8%.
- Scrap Issue**
* Proposed 1 for 5 scrap issue.
- Employee Share Option Schemes**
* Experience shows there is no better way to encourage employee involvement in the company than through these schemes. Company contribution to Profit Sharing Scheme up 25%.
- Production and Expansion**
* Trading conditions during 1985 generally buoyant; forecasts exceeded; profit margins virtually maintained.
* Investment in advanced machinery and design continues. Workforce co-operation an important factor in increasing efficiency and reducing cost base.
- Future**
* Controlled growth remains company's policy.
* Current sales comfortably ahead of last year's.

I. J. Dewhirst Holdings p.l.c., Duwear House, Westgate, Driffield, North Humberside, YO25 7TH.



NOTICE TO HOLDERS OF FIRST CHICAGO CORPORATION Floating Rate Subordinated Capital Notes Due February 1997

NOTICE IS HEREBY GIVEN to the holders of First Chicago Corporation Floating Rate Subordinated Capital Notes Due February 1997 (the "Notes") that pursuant to Section 4.02 of the relevant indenture dated as of January 15, 1985, as amended by a First Supplemental Indenture dated as of December 15, 1985 between the First Chicago Corporation (the "Issuer") and Chemical Bank, Trustee, the Issuer has appointed:

Swiss Bank Corporation
Aeschenvorstadt 1
CH-4002 Basle
Switzerland

as an additional paying agent for the Notes, where Notes and coupons can be presented or surrendered for payment, and where Bearer Notes may be surrendered for exchange for Bearer Notes, or, subject to any applicable laws and regulations, for Registered Notes.

FIRST CHICAGO CORPORATION, by Chemical Bank, Trustee.

Dated: 16th May, 1986

GRAND METROPOLITAN

INTERIM REPORT - 1986

The group's profit before taxation increased to £140.2 million for the half year ended 31st March, 1986, compared with £131.9 million for the corresponding period of the previous year. If the same exchange rates as a year ago had been used to translate the results of overseas subsidiaries into sterling, the group's profit would have been £13.4 million higher. Earnings per share increased by 10.4%, from 11.5p to 12.7p.

An interim dividend of 4.0p per share is to be paid, representing an increase of 10.0% over the corresponding dividend last year of 3.63p per share (adjusted for the subsequent one for ten capitalisation issue).

The group has made a number of acquisitions and disposals in the last year or so which distort comparisons between the first half of the current year and the corresponding period of the previous year. But for the effect of these, and the impact of movements in exchange rates on translation of the external sales of overseas subsidiaries into sterling, the group's turnover would have been higher than a year ago.

The United Kingdom sector made very satisfactory progress and achieved a 19.5% increase in trading profit compared with the corresponding period of the previous year. Higher sales volumes in Brewing reflected the substantial investment in brand development which has been made in recent years, whilst Consumer Services benefited particularly from the success of its licensed retailing and industrial catering activities. Foods' trading profit was significantly higher than a year ago despite the sale of its liquid milk business in the north of England.

The results of the United States sector benefited from an improvement in margins in the cigarette business and, despite the fall in demand for fitness equipment, the trading profit expressed in US dollars was 11.1% higher than a year ago.

In the international sector, Hotels maintained its trading profit, even as the market for hotel accommodation in Europe began to lose some of its buoyancy. Wines and Spirits continued to make good progress in almost all its markets and, but for the increasing weakness of the US dollar against sterling, would also have achieved a small increase in trading profit.

The reduction in the interest charge was attributable in the main to lower interest rates and to favourable exchange rate movements.

The interim dividend for the year ended 30th September, 1986 of 4.0p per share will be paid on 6th October, 1986 to shareholders on the register on 29th August, 1986. The cost of the interim dividend will be £34.0 million (1985—£30.7 million).

A valuation of the group's main UK pension fund, which has assets with a market value in excess of £500 million, is currently being completed by the consulting actuaries. Although preliminary calculations indicate a substantial surplus, it is intended to await publication of the Government's proposals for the control of pension fund surpluses generally before considering how best to apply this surplus.

15th May, 1986

S.G. Grinstead Chairman

| | Half year to 31 March (unaudited) | Year to 30 September |
|---|-----------------------------------|----------------------|
| | 1986 £m | 1985 £m |
| Turnover | 396.6 | 395.5 |
| United Kingdom | 251.8 | 251.8 |
| Brewing | 315.8 | 302.1 |
| Consumer Services | 368.8 | 579.6 |
| Foods | 342.6 | 367.6 |
| United States | 625.9 | 765.7 |
| Consumer Products | 270.2 | 183.9 |
| International | 547.7 | 551.5 |
| Hotels | 270.2 | 183.9 |
| Wines and Spirits | 547.7 | 551.5 |
| | 2,571.0 | 2,750.4 |
| Trading Profit | | |
| United Kingdom | 34.2 | 30.3 |
| Brewing | 33.2 | 28.3 |
| Consumer Services | 15.9 | 11.1 |
| Foods | 35.4 | 38.8 |
| United States | 10.7 | 10.6 |
| Consumer Products | 62.1 | 68.6 |
| International | 191.5 | 187.7 |
| Hotels | 62.1 | 68.6 |
| Wines and Spirits | 191.5 | 187.7 |
| Interest | (51.3) | (55.8) |
| Profit on ordinary activities before taxation | 348.2 | 331.9 |
| Taxation | (30.6) | (34.6) |
| Profit on ordinary activities after taxation | 317.6 | 297.3 |
| Minority shareholders' interests | (0.5) | (2.4) |
| Preference dividends | (0.2) | (0.2) |
| Profit attributable to ordinary shareholders before extraordinary items | 316.9 | 294.7 |
| Extraordinary items | 17.1 | 26.0 |
| Profit after extraordinary items | 334.0 | 320.7 |
| Earnings per share | 12.7p | 11.5p |

NOTES:
1. Profits and losses of overseas subsidiaries are translated into sterling at weighted average rates of exchange.
2. The charge for taxation is estimated on the basis that the rate of UK corporation tax will be 37.5% (1985—42.5%) and includes overseas taxation of £12.9 million (1985—£14.4 million).
3. The figures of earnings per share are calculated by reference to the profit attributable to ordinary shareholders before extraordinary items. They have been adjusted to take account of the capitalisation issue of one ordinary share for every ten shares held at the close of business on 31st January, 1986.
4. The figures for the year to 30th September, 1985 have been extracted from accounts which have been filed with the Registrar of Companies and contain an unaudited audit report.

Grand Metropolitan PLC, 11-12 Hanover Square, London W1A 1DP.

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Crédit Lyonnais

Deutsche Bank Capital Markets Limited

Genossenschaftliche Zentralbank AG

Société Générale

Yasuda Trust Europe Limited

UK COMPANY NEWS

Acquisitions cause greater problems for John Foster

A DISAPPOINTING second half has resulted in only maintained profits for John Foster and Son in the year ended February 28 1986. The group is a spinner and manufacturer of cloths.

problems than originally expected; furthermore, the cost of these involved disbursement of significant cash and the company has suffered from high interest rates—the charge for the year rose from £560,000 to £770,000.

1981—a trend totally justified by yesterday's disappointing figures. Despite the confidence of last November, profits are barely higher than the previous year and still short of the figure earned in the dim and distant past of 1974.

Aberdeen Construction increases provision

Nearly £1m has been wiped off the 1985 preliminary profit announced on May 2 by the Aberdeen Construction Group. The final dividend, however, is to remain at the recommended 5.7p net.

Warner Estate lifts profit and interim

A substantial increase in property income, with acquisitions over the last two years providing the major contribution, has enabled Warner Estate Holdings to lift its pre-tax profit from £1.8m to £1.9m for the half year ended March 31, 1986.

Advertising revenue perks up to boost Radio Clyde

THE decline in net advertising revenue experienced by Radio Clyde in the year to September 30—in the year, pre-tax profits fell from £32,000 to £38,000—has been arrested, and in the six months to March 31 1986 this independent local radio station made considerable progress and pre-tax profits increased by 68 per cent from £189,167 to £314,254.

Midway growth for Western Selection

Western Selection, the telecommunications wire and cable maker and general investment portfolio manager, has raised its pre-tax profit for the half year ended March 31 1986 from £283,000 to £586,000. The directors say the growth of the core business continues most satisfactorily and is expected to justify further capital investment in the medium term.

BP FIRST QUARTER RESULTS, 1986

Responding to the challenge

Table with 4 columns: 1986 First quarter, 1985 First quarter, Historical cost profit, Replacement cost profit, Earnings per share (historical cost). Values: £22m, £515m, £740m, £402m, 1.2p, 28.2p.

A dramatic drop in crude oil prices heavily influenced BP's results this quarter. But despite significant stock-holding losses, the Group produced a very strong trading performance.



Britain at its best

British Mohair Holdings Public Limited Company

HIGH LEVEL OF ACTIVITY THROUGHOUT THE YEAR

Highlights from the statement by the Chairman, Mr. Charles M. Fenton:

- * Turnover increased by 10% to £40 million.
* Profit before tax £3,474,000, compared with £4,210,000, and in line with expectations.
* Total dividend for the year 6.0p (same), covered 2.94 times by earnings after tax.

Table with 2 columns: TRADING SUBSIDIARIES. Lists various companies like British Mohair Spinners, Geo. Acroyd Junr, etc.

BASE LENDING RATES

Table with 3 columns: Bank Name, Rate, and other details. Lists various banks and their lending rates.

BOARD MEETINGS

Table listing board meetings for various companies with dates and locations.

The Australian Industry Development Corporation. U.S. \$100,000,000. 11 1/2 PER CENT. NOTES DUE 1990. Includes details about the notes and redemption process.

The Great Northern Telegraph Company's Holding Company Limited. Registered in Denmark, No. 9181. RIGHTS ISSUE. Details about the rights issue and subscription process.

Export Development Corporation. Société pour l'expansion des exportations. ECU 100,000,000. 6 3/8% Notes Due 1996. Issue Price 100%. Lists various member banks.

NOTICE OF REDEMPTION

To the Holders of

WESTPAC BANKING CORPORATION

12 3/4% Subordinated Bonds due 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated January 31, 1985...

BONDS OF U.S. \$5,000 EACH

Table with columns for Bond No., Issue Date, Face Value, and Redemption Date. Lists various bond details.

On June 18, 1986, the Bonds designated above will become due and payable as aforesaid in such coin or currency of the United States of America...

Dated: May 16, 1986

WESTPAC BANKING CORPORATION

UK COMPANY NEWS

ISSUE NEWS

Charles Barker valued at £30m in SE flotation

BY LUCY KELLAWAY

Charles Barker, the second largest communications group in the UK is being floated on the Stock Market with a value of £30.2m.

Full details are advertised today in an offer for sale of 5m shares by J. Henry Schroder Wagg at 150p. About one-quarter of these will be used to finance the purchase of Norman Broadbent International, the executive headhunters. The remainder of the shares are being sold by existing shareholders.

The company, which was founded in 1985, now consists of four main areas: advertising, public relations, human resources and sales promotion.

May 28. Cazenove is broker to the issue.

Traditionally the company has had strong links with the City, and recently has been acting for Allied-Lyons, Debenhams, BET, Rank, Guinness and Plessey in their takeover battles.

Bank of Ireland benefits from £27m drop in provisions

A SHARP reduction in loan loss provisions enabled the Bank of Ireland to lift its 1985-86 profits from a depressed £122.7m to £121.3m (£73.7m) at the pre-tax level.

Alumac launch on SE prices it over £18m

BY RICHARD TOMKINS

Alumac, the beer barrel-to-lugs group bought out by its management from Consolidated Gold Field in mid-1985, comes to the stock market today with an offer for sale of 4.5m shares at 150p a share.

Alumac, the beer barrel-to-lugs group bought out by its management from Consolidated Gold Field in mid-1985, comes to the stock market today with an offer for sale of 4.5m shares at 150p a share.

Savage to join USM following buy-out

Savage Britain's leading supplier of roll-mounted shelving systems, is being floated on the unlisted securities market in the wake of a management buy-out financed by investors in industry.

NOTICE TO LOMBARD DEPOSITORS. Rates for deposits, 14 Days Notice, Cheque Savings Accounts, Lombard North Central, 17 Bruton St, London W1A 3DH.

A FINANCIAL TIMES SURVEY CORPORATE COMMUNICATIONS. Tuesday 10 June 1986. For further information, contact NINA JASINSKI on 01-238 8000 ext 4611.

US\$ 100 000 000 - Credit Suisse Finance (Panama) S.A. 11 3/4% Guaranteed Notes, Series A, due 1992 and 100 000 Warrants to subscribe. US\$ 100 000 000 - 11 3/4% Guaranteed Notes, Series B, due 1992.

N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch) Established at The Hague, The Netherlands. Final dividend 1985.

The General Meeting of Shareholders of Royal Dutch Petroleum Company held on 15th May, 1986, has decided to declare the final dividend for 1985 at N. fl. 8.30 on each of the 288,037,044 ordinary shares with a par value of N. fl. 10.

Where under the double tax agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a resident of the United Kingdom as a credit against the United Kingdom income tax payable in respect of the dividend.

NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHTS. KAWASAKI STEEL CORPORATION (Kawasaki Seitetsu Kabushiki Kaisha). U.S. \$100,000,000 5 1/2% Convertible Bonds Due 1996.

A. G. Stanley Holdings p.l.c. At the Annual General Meeting, the Chairman, Malcolm Stanley said: 'After another successful year - in which profits were increased by 51% - the group's expansion continues.

NOTICE OF CALL AND REDEMPTION. To the Holders of The Bank of Tokyo, Ltd., Portland Branch. US\$10,000,000 Callable Negotiable Floating Rate Certificates of Deposit due May 29, 1987 (the 'Certificates').

FT LAW REPORTS

Press centre wins claim for faulty building works

INTERNATIONAL PRESS CENTRE v NORWICH UNION
Official Referee: Judge Esyr Lewis QC
May 7 1986

PROVISIONS IN an agreement for a lease do not cease to have effect on grant of the lease if they are collateral to it and if the agreement does not indicate an intention that they should merge...

Judge Esyr Lewis, QC, Official Referee, held when giving judgment for the International Press Centre (IPC) in its damages claim against Norwich Union for breach of an agreement for an underlease...

Mr Dyson, for IPC, argued that clause 2 required Norwich Union to keep in good and workmanlike manner and with the best materials obtainable...

Mr Dyson, for IPC, argued that clause 2 required Norwich Union to keep in good and workmanlike manner and with the best materials obtainable...

As Lord Russell said in Knight Sugar, it was well-established that if a preliminary agreement were to be followed by a conveyance, those terms of the agreement which were not intended to be performed by the deed of conveyance were not merged with it...

into the underlease and ceased to have any effect.

The question was whether IPC could rely on clause 2 of the agreement as entitling it to recover the cost of the remedial work from Norwich Union.

The principle of merger was described by Lord Justice James in Leggett v Barratt 15 Ch 306, 309. He said: "If parties have made an executory contract which is to be carried out by a deed afterwards executed, the real completed contract is to be found in the deed and you have no right whatsoever to look at the contract, except for the purpose of construing the deed."

That principle was restated with an important qualification by Lord Russell in Knight Sugar v Alberta Railway 1933 1 All ER 266, 269. He said there might be provisions of the contract which survived after completion if the parties did intend that they should be merged in the deed.

Mr Godfrey, for Norwich Union, argued that the clear intention of the parties was that clause 2 should cease to have effect after the underlease was executed, when responsibility for keeping the premises "in good and substantial repair" under clause 4(3)(a) fell upon IPC.

He submitted that clause 4(3)(a) did not deal with the underlease under clause 2 and that there was a presumption that clause 2 survived the grant of the underlease unless by clear language the agreement provided to the contrary.

Lord Justice Scrutton said at page 89: "The contract contained a stipulation which was collateral to the conveyance and was therefore not merged on the execution of the deed of conveyance, which said nothing about the stipulation."

Those two cases were concerned with the sale of land, but the principle established was applicable to the present case where there was a preliminary agreement embodied in a deed followed by the grant of an underlease also by deed.

By clause 2 of the agreement Norwich Union contracted to erect a building in a good, substantial and workmanlike manner. The underlease said nothing about the quality of the building which IPC covenanted to keep in repair.

There was no prima facie reason why the obligation undertaken in clause 2 of the agreement should not survive the grant of the underlease. The stipulation in clause 2 was one "which was collateral" to the provisions of the underlease. There was nothing incompatible between IPC's repairing obligation under clause 4(3)(a) of the underlease and Norwich Union's obligation under clause 2.

The mere grant of the underlease should not have the effect of ending Norwich Union's obligation under clause 2. The remaining question was whether there were any express provisions in the agreement making it clear that the parties intended that Norwich Union's obligation under clause 2 should not survive the grant of the underlease.

It was hard to see what value the clause 2 obligation was to IPC if it did not survive the grant of the underlease. The intention of the agreement could not be construed as indicating a clear intention that clause 2 was not to survive. The express preservation of certain clauses dealing with totally different matters from clause 2 did not conflict with the continued existence of the obligation under clause 2.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Aberdeen Unit Trust, Allied Dunbar Unit Trust, and others, with columns for name, type, and other details.

FT UNIT TRUST INFORMATION SERVICE

Large table providing detailed information for various unit trusts, including names, managers, and performance metrics.

F.T. CROSSWORD PUZZLE No. 6,023

Crossword puzzle grid with numbers indicating starting positions for words.

- ACROSS
1 Such youngsters always come to a fishy end (11)
7 Spot a girl (3)
9 Workers who get moving? (5)
10 Outmoded transport industry (9)
11 Don't forget about prayer (9)
12 It should be included in the charge (5)
13 Silly asses will accept salt fish (3-4)
14 Roundhead trainee's engagement (4)
15 A space reserved for a maple tree (4)
16 A Roundhead enemy's appearance (7)
17 Noted play (5)
18 Used to form a trap for the unwary six-footer (6)
19 Guides will take English money as well as German (9)
20 NCO holding a rocky height in assault (5)
21 Desert animal (3)
22 A go-ahead sportsman (11)
23 DOWN
1 The instructor's sister dealt with in writing (8)
2 Serving men in the company backing others for personal protection accommodate people eager to join the Spanish (5)

THE BANKER TOP 500

For the past 16 years The Banker has researched and published the list of the world's largest commercial banks...

THE FINANCIAL TIMES is proposing to publish a Survey on ISLE OF MAN on Wednesday June 25 1986...

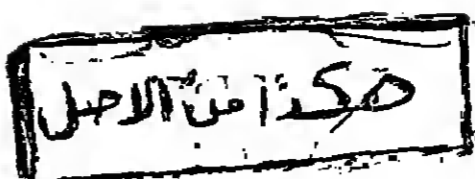
tanley
gs p.l.c.

AUTHORISED UNIT TRUSTS & INSURANCES

Main table containing financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

INSURANCES section listing various insurance companies and their details.

Handwritten signature or stamp at the bottom of the page.



INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas funds with columns for fund name, company, and numerical values.

Table listing insurance and overseas funds, including entries like 'S.S. Europe Overseas SA' and 'Hellenic Overseas Fund Ltd'.

Table listing insurance and overseas funds, including entries like 'MIM (Jersey) Limited' and 'Henderson Asset Management Ltd'.

Table listing money funds and bank accounts, including entries like 'Schroder Money Services (Jersey) Ltd' and 'Money Market Bank Accounts'.

Table listing offshore and overseas funds, including entries like 'Standard Life Assurance Company' and 'Sun Alliance Insurance Group'.

Table listing offshore and overseas funds, including entries like 'Credit Suisse' and 'BNP Paribas'.

Table listing offshore and overseas funds, including entries like 'Kleinwort Benson' and 'Lazard Freres & Co'.

Table listing offshore and overseas funds, including entries like 'Royal Bank of Canada' and 'United Trusts (Jersey) Ltd'.

Additional text at the bottom of the page, including a note about a London Stock Exchange report page.

COMMODITIES AND AGRICULTURE

Lean times ahead for Argentine farmers

BY TIM COONE IN BUENOS AIRES
THE vast Argentine pampas, stretching over thousands of square miles in the hinterlands of Buenos Aires and Bahio Blanca are expected to produce record harvests of maize and sunflower seeds this year.

However, neither this prospect, nor the possibility of increased Soviet buying after the Chernobyl nuclear accident, has prevented deep gloom settling over Argentine grain producers and traders. Regarding the prospects for more Soviet purchases on the international grain market, Mr Marcelo Regunaga, head of economic studies for the Argentine National Grain Board, said: "Practically all our wheat from this year's harvest is already sold. Even if the Soviet Union were to increase its imports as a result of the Chernobyl disaster, we are not in a position to provide them until the next harvest at the earliest."

However, there are already indications that wheat planting this year will be as much as 30 per cent down on 1985, which in turn were down 6 per cent on 1984. Low soil fertility for the pampas farmers has caused them to switch to maize and oilseed production, or simply to leave their land idle.

Soviet purchases from Argentina have fallen sharply since their peak in the early 1980s when over 80 per cent, or some 15m tonnes of wheat,

maize and sorghum, were sold to the USSR. At the beginning of this year, a new five-year trade accord was signed with Moscow, but this was for a supply of only 4.5m tonnes of maize, sorghum and soyabean each year. Even with the new deal, grain sales to the Soviet Union were practically non-existent until early May when 700,000 tonnes were sold, making it the first important purchase by the Soviet Union this year, said Mr Regunaga. He pointed out that the five-year accord is not in fact a binding contract, and that there is no guarantee that Soviet purchases will indeed reach 4.5m tonnes this year. The Soviet Union has itself been anxious for Argentina to improve the trade balance between the two countries, which is heavily in Argentina's favour. One leading trader on the Buenos Aires cereals market said: "The most serious thing is that the Russians don't have any money. They are driving very hard bargains and buying at the cheapest they possibly can." He said that the subsidisation of EEC and US cereal production, and the prospect of a major dip in the price of major staples of stocks onto the market this year, was undermining Argentine cereal production, and wheat in particular. Government plans to raise grain production to 60m tonnes per year by the end of the decade from their present level of between 35m and 40m per year "are Utopian".

The expansion of grain and meat exports at the same time as sharply reducing imports was seen as one way out of the country's simmering foreign debt crisis several years back. Following directed to those ends lay behind the expansion of land under cultivation for cereal and oilseed production to a record of 23m hectares in 1982. However, the gradual fall in area since then is expected to accelerate this year with less than 21m hectares being put to the plough this season. A decline in the cattle herd by some 2m head since 1984, means that a further 2m hectares of agricultural land will lie idle this season due to falls in export demand overcapacity in the world market. Grain exports were traditionally comprise 70 per cent of Argentina's total exports.

Copper industry issues costs warning to LME

BY ANDREW GOWERS

THE INTERNATIONAL copper industry has warned the London Metal Exchange that it may be deterred from using the market if a proposed reorganisation results in excessive cost increases. In a statement released after a meeting between representatives of copper producers and consumers and of the Exchange in Sorrento, Italy, the industry acknowledged that the LME, the world's leading metals market, was under pressure from the British authorities to change its structure. But it said that "any additional cost resulting from a clearing house system should be kept to a minimum so as not to deter from using the LME."

"The industry was anxious that measures taken to protect investors should not disrupt the balance between industry and investment activity on the Exchange," the statement said. "There was concern that a major shift in this balance could make it an unattractive medium for either category of user."

Copper is by far the most important contract on the LME, and the industry once again stressed its support for the Exchange as "the principal world copper price reference point."

'Some progress' at rubber pact talks

BY WILLIAM DUFFLORCE IN GENEVA

SOME PROGRESS has been made towards a new International Natural Rubber Agreement (Inra) but key issues still have to be solved. Mr Monsoos Xuto, of Thailand, the chairman of the UN rubber conference, told a press conference yesterday that progress had been made in making every effort to complete the negotiations before May 23, when the conference is scheduled to close. Delegates, however, detect a lack of urgency among contracting countries, resulting from the knowledge that the new Inra would not come into force until October 1987. Some are already forecasting that another round of negotiations will be needed later this year. Mr Xuto acknowledged that the three-week schedule of the present conference was a constraint but said delegates had now come to grips with the key outstanding issues, which he defined as:

1. The price level and structure to be applied in the new agreement. 2. The price adjustment mechanism. 3. The financing of the buffer stock and the borrowing powers attached to it. 4. The exporting countries' demand, voiced last year, for a reference price of 265 Malaysian/Singapore cents a kilo remains on the table, although producers have indicated that the price is negotiable. The current reference price, which determines the levels at which the Inra buffer stock manager may, or is obliged to, buy or sell, is 201.66 cents.

Guangdong, China's sugar bowl

BY DAVID DODWELL IN HONG KONG

"CHINA DOESN'T export sugar on any significant scale, so people rarely notice how formidable the industry is." This was the comment of one Hong Kong-based counter-trader recently after visiting a handful of Guangdong province's 163 sugar refineries. Although China ranks sixth in the world sugar production league, with refined output last year of 4.7m tonnes, interestingly, it is the first Inra, which by its imports rather than its production. Annual imports are well down from the extraordinary figure of 2.56m tonnes recorded in 1982 but remain well above the 1m tonnes mark. Annual exports are fairly steady at around 140,000 tonnes. Yet inside China—and particularly in the sub-tropical areas of Hainan Island and the Pearl River delta in the southern province of Guangdong which accounts for over 40 per cent of national output—sugar is playing an important part in the country's development. Apart from sugar itself, it provides large quantities of industrial alcohol and yeast, sustains major industries manufacturing paper, chipboard and cement, and is the driving force behind increasingly sophisticated heavy machine-building industry.

In Guangdong, where the 120-day cane harvesting season has just come to an end, the refineries are beginning to shift into a lower gear. According to Mr Li Hang, deputy manager of the province's Sugar and Paper Industry Corporation, "the 1985-86 season was a success" because of the 70,000 workers employed in the sugar mills are turning their attention to the bagasse, the residue that is left after cane is crushed, that has built up over the hectic harvesting season. Work is beginning on paper and chipboard manufacturing, and on the production of industrial alcohol.

to the wishes of producers and consumers by introducing a new high-grade copper contract, known as "grade A." This will fully replace the present high-grade contract of the end of next month.

The industry's worries stem from the Exchange's decision earlier this year to switch from its traditional system of trading directly between principals to a clearing-house, under which all transactions would be passed through a central intermediary. This is bound to increase costs to users of the Exchange, since it will involve greater overheads and tighter rules on margin or deposit payments.

The industry's appeal for more say in the Exchange's decision represents further application in what is already proving to be a fraught series of consultations between the LME, its users and the UK regulatory authorities—principally the Securities and Investments Board, the watchdog being set up under legislation currently before Parliament.

In a speech to this week's Sorrento meeting, Mr Michael Brown, the Exchange's chief executive, said the LME was experiencing great difficulty in obtaining approval for its system of daily trading system, particularly since it has bowed to the wishes of producers and consumers by introducing a new high-grade copper contract, known as "grade A." This will fully replace the present high-grade contract of the end of next month.

Jamaica may reopen bauxite refinery

A 1.2m tonnes a year bauxite refinery in southern Jamaica, closed by its North American owners last August, is likely to be reopened later this year but will produce only about half of its rated capacity, writes Sennie James in Kingston. Mr Edward Seaga, Jamaica's Prime Minister, has said he will have "critical" meetings this weekend, the result of which could be an additional 700,000 tonnes of alumina for export. Although Mr Seaga did not name the refinery involved, industry sources say it is the plant owned by Alumina Partners of Jamaica, a joint venture between Reynolds Metals and Kaiser Aluminum, both of the US. Mr Seaga also said his Government was to get a 51 per cent stake in the Alumina Company of America (Alcoa's) 900,000 tonnes a year refinery in central Jamaica, which is similar to those at Nickel City (271.5m) and Salsipuedes (265m). Turnover: 1,194 tonnes.

The bauxite stock manager in rubber is not allowed to trade in forward contracts and cannot make forward purchases, for which he may not have the resources to pay. Unlike the tin agreement, stipulates that a participating country, which asks the International Natural Rubber Council to borrow so that it can meet its financial contributions, retains full liability for the loans contracted on its behalf. To buttress optimism in the outcome of the present talks, Mr Xuto emphasised that rubber producers and consumers are not starting from scratch to negotiate a new commodity agreement. They were "tidying up" the first Inra, which has worked quite well, and smoothing the transition to a second Inra, he said.

Expansion to instead targeted for crops, dairy farming, and fruits that are in heavy export demand.

The lion's share of the Y1bn (£200m) that has been spent on the sugar industry in Guangdong province over the past five years has been devoted to modernising refineries and increasing refinery capacity. While the province still has some old refineries with capacity as little as more than 100 tonnes a day, it has recently completed modern 6,000-tonne a day facilities at Meishan in Panyu county, and at Zhongshan near to the Zhuhai special economic zone. It has four refineries capable of producing 5,000 tonnes a day. As small mills are phased out, so modern, more efficient equipment is being installed. To keep the most modern facilities in operation throughout the low season, the Sugar and Paper Industry Corporation has recently begun refining imported sugar—often under counter-trade arrangements described by barter trade specialists as "tolling". Under these "tolling" deals, countries wanting to buy goods from China are able to pay for them by supplying China with an equivalent amount of raw sugar. This is then refined and re-exported by China. Last year, about 1m tonnes of imported cane sugar was processed by mill around the Pearl River delta, but the Government provides no information on how much was refined for domestic consumption, and how much was re-exported.

With spare capacity still available and Peking committed to a policy of encouraging counter-trade the number of "tolling" deals can be expected to grow in future.

LONDON MARKETS

DOLLAR WEAKNESS led to a general decline in London Metal Exchange values yesterday. Most falls were fairly modest, however, the biggest being in aluminium, which, despite rallying from morning lows, ended the day \$7.75 down in the cash position at \$755.75 a tonne.

LME prices supplied by Anglo Metals Ltd Trading.

ALUMINIUM

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

COPPER

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

LEAD

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

NICKEL

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

ZINC

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

GOLD

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

SILVER

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

MEAT

Table with 4 columns: Unofficial + or - (High/Low), Official closing (am), Cash, 3 months.

INDICES

REUTERS May 15 May 14 Mth Ago Year Ago
1763.9 1774.5 1786.1 1858.6
DOW JONES
Dow Jones 14 14 11 Month Ago Year Ago
Spot 118.65 118.41 - 118.78
Fut. 112.20 112.87 - 113.75
(Close December 1981=100)

MAIN PRICE CHANGES

In cents unless otherwise stated.
May 15 +/- or Month Ago 1985 -1986

Table with 4 columns: Metals, Unofficial +/- (High/Low), Official closing (am), Cash, 3 months.

COFFEE

The early gains were maintained through a day of light volume of trade and the final call was at 30.85. Physical interest was muted, though some widening on scale-up producers making limited scale-up sales, reports Gill and Buffum.

COCOA

The market was on the defensive in the afternoon but held its ground, reports Bristol Brothers. Trade and commission houses selling cocoa and cocoa butter but prices later consolidated.

SOYBEAN MEAL

Contract close +/- or Business Done
June 229.12 229.12 +0.06 197.0-128.7
July 229.12 229.12 +0.06 197.0-128.7

GRAINS

WHEAT Yesterday's +/- or Yesterday's +/- or Month Ago
June 117.10 -7.00 115.90 -0.76
July 115.35 -7.00 115.90 -0.76

GAS OIL FUTURES

Products-North West Europe
Premium gasoline, 200-304 +3.0
Gas oil 134.13 14.5

POTATOES

The market opened steady, encouragingly, but the early trading which was fuelled by stop-loss buying, was not sustained, reports Coley and Harper.

SUGAR

Aug 175.17 176.0 175.17 176.0
July 175.17 176.0 175.17 176.0

US MARKETS

CONTINUED CONFUSION over future US dollar policy affected the precious metals and oil markets, reports Heineold Commodities. port levels held well with mainly level activity in copper, gold and silver pits. Copper traded slightly lower with the trade landing support.

Oil prices remained unchanged to higher due to firm large markets but lack of follow-through resulted in featureless trading. Sugar was quietly steady most of the session with light support due to inquiries from China and India on the London physical market and held main support levels well.

Additional grain would be required by the USSR this year as depressed markets, but good buying of July soybeans halted further price falls.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb
June 75.30 75.30 75.30 75.30
July 75.30 75.30 75.30 75.30

LIVE CATTLE

June 57.50 57.50 57.50 57.50
July 57.50 57.50 57.50 57.50

LIVE HOGS

June 42.30 42.30 42.30 42.30
July 42.30 42.30 42.30 42.30

BAZES

June 21.20 21.20 21.20 21.20
July 21.20 21.20 21.20 21.20

COFFEE

June 20.00 20.00 20.00 20.00
July 20.00 20.00 20.00 20.00

COPPER

June 22.00 22.00 22.00 22.00
July 22.00 22.00 22.00 22.00

SOYBEANS

June 56.00 56.00 56.00 56.00
July 56.00 56.00 56.00 56.00

SOYBEAN MEAL

June 14.00 14.00 14.00 14.00
July 14.00 14.00 14.00 14.00

WHEAT

June 117.10 117.10 117.10 117.10
July 117.10 117.10 117.10 117.10

FREIGHT FUTURES

A lack of confirmation of recent rumoured physical business led to dry out in the market, despite the slightly lower levels, underlying sentiment remained steady.

CRUDE OIL

June 15.00 15.00 15.00 15.00
July 15.00 15.00 15.00 15.00

GAS OIL

June 13.00 13.00 13.00 13.00
July 13.00 13.00 13.00 13.00

POTATOES

June 11.00 11.00 11.00 11.00
July 11.00 11.00 11.00 11.00

SUGAR

June 17.00 17.00 17.00 17.00
July 17.00 17.00 17.00 17.00

SOYBEAN MEAL

June 14.00 14.00 14.00 14.00
July 14.00 14.00 14.00 14.00

SOYBEANS

June 56.00 56.00 56.00 56.00
July 56.00 56.00 56.00 56.00

Table with 4 columns: Date, High, Low, Prev.

Table with 4 columns: Date, High, Low, Prev.

Table with 4 columns: Date, High, Low, Prev.

Table with 4 columns: Date, High, Low, Prev.

Table with 4 columns: Date, High, Low, Prev.

Table with 4 columns: Date, High, Low, Prev.

Table with 4 columns: Date, High, Low, Prev.

Poultry company to add 250 jobs
ONE of Hereford's biggest employers is to take on 250 jobs within the next few months. Sun Valley Poultry, which employs 2,800, says the extra staff for a \$1m extension. The company says more jobs could arise from further expansion of its poultry-based convenience and health food business.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES Dollar up despite uncertainty

The dollar was firmer but remained within its recent trading range yesterday as traders tried to digest the recent spate of comments made by leading West German, US and Japanese officials. The current mood was captured by Karl Otto Poehl, Bundesbank president, when he indicated that although leading nations were using co-ordinated action to influence exchange rates, there was still a considerable difference of opinion as to where the value of each currency should be.

FINANCIAL FUTURES Prices fall

Interest rate contracts weakened on the London International Financial Futures Exchange yesterday. US Treasury bonds for July delivery opened lower at 97.18 and fell to 97.14, where a large US commission house entered the market as a buyer. The contract rose to a peak of 98.03, in nervous trading, lacking new factors. But the buying tended to feed on itself, as it triggered technical resistance points, before news of a rise of 0.3 in April US industrial production, pushed the price down to a low of 97.04, before closing at 97.10, compared with 98.12 previously.

Company Notices NOTICE OF ADJUSTMENT OF CONVERSION PRICE

SMITH & NEPHEW Associated Companies plc (Incorporated in England with limited liability) US\$60,000,000 5 1/2 per cent. Convertible Bonds 2000

Table with columns: Day's Spread, Close, One month, % Three months, % Six months. Rows include US, Canada, UK, etc.

Table with columns: Bank of England, Morgan Guaranty, etc. Rows include Sterling, Canadian dollar, etc.

Table with columns: Strike price, Call, Put, etc. Rows include Liffe Long Oil, Liffe US Treasury, etc.

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Legal Notices IN THE MATTER OF EUROPEAN BUYING SERVICES LIMITED

Personal YOU CAN HELP OUR OPERATION BE A SUCCESS.

Clubs THE SURGICAL RESEARCH FUND

Table with columns: COUNTRY, CURRENCY, VALUE OF DOLLAR. Rows include Afghanistan, Albania, Algeria, etc.

LONDON SHARE SERVICE

BRITISH FUNDS table with columns for High/Low, Stock, Price, Div, Yld, and various fund names like 'Shorts (Lives up to Five Years)' and 'Over Fifteen Years'.

BUILDING, TIMBER, ROADS - Cont.

Table listing shares in the Building, Timber, and Roads sectors, including companies like Bovis Lend Lease and Bovis Construction.

DRAPERY & STORES - Cont.

Table listing shares in the Drapery and Stores sector, including companies like Debenhams and Next.

ELECTRICALS

Table listing shares in the Electricals sector, including companies like British Telecommunications and British Gas.

CHEMICALS, PLASTICS

Table listing shares in the Chemicals and Plastics sector, including companies like ICI and British Petroleum.

DRAPERY & STORES

Table listing shares in the Drapery and Stores sector, including companies like Debenhams and Next.

BEERS, WINES & SPIRITS

Table listing shares in the Beers, Wines & Spirits sector, including companies like Carlsberg and Heineken.

BUILDING, TIMBER, ROADS

Table listing shares in the Building, Timber, and Roads sector, including companies like Bovis Lend Lease and Bovis Construction.

AMERICANS - Cont.

Table listing shares in the American market, including companies like American Express and American International Group.

AMERICANS

Table listing shares in the American market, including companies like American Express and American International Group.

ENGINEERING - Continued

Table listing shares in the Engineering sector, including companies like BAE Systems and British Aerospace.

INDUSTRIALS - Continued

Table listing shares in the Industrials sector, including companies like British Petroleum and British Gas.

FOOD, GROCERIES, ETC.

Table listing shares in the Food, Groceries, etc. sector, including companies like Asda and Sainsbury.

NOTELS AND CATERERS

Table listing shares in the Hotels and Caterers sector, including companies like Whitbread and TSB.

INDUSTRIALS (Misc.)

Table listing miscellaneous shares in the Industrials sector, including companies like British Telecom and British Airways.

ENGINEERING

Table listing shares in the Engineering sector, including companies like BAE Systems and British Aerospace.

INDUSTRIALS

Table listing shares in the Industrials sector, including companies like British Petroleum and British Gas.

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Handwritten note: 5000000000

INDUSTRIALS—Continued

Table of industrial stocks including companies like Shell, BP, and various manufacturing firms with columns for stock price, price change, and volume.

LEISURE—Continued

Table of leisure stocks including companies like British Airways, British Telecom, and other service providers.

PROPERTY—Continued

Table of property stocks including real estate and construction companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including various funds and trusts.

FINANCE, LAND—Cont.

Table of finance and land stocks including banks and financial institutions.

MINES—Continued

Table of mining stocks including various metal and coal mining companies.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks.

CENTRAL AFRICA

Table of Central Africa stocks.

FINANCE

Table of finance stocks.

OIL AND GAS

Table of oil and gas stocks.

AUSTRALIANS

Table of Australian stocks.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks.

MOTORS AND CYCLES

Table of motor and cycle stocks.

COMMERCIAL VEHICLES

Table of commercial vehicle stocks.

COMPONENTS

Table of component stocks.

REPAIRS AND DISTRIBUTORS

Table of repair and distributor stocks.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks.

SHOES AND LEATHER

Table of shoe and leather stocks.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks.

SOUTH AFRICANS

Table of South African stocks.

TEXTILES

Table of textile stocks.

TOBACCO

Table of tobacco stocks.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks.

OVERSEAS TRADERS

Table of overseas trader stocks.

PLANTATIONS

Table of plantation stocks.

INSURANCES

Table of insurance stocks.

PROPERTY

Table of property stocks.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks.

FINANCE, LAND, ETC

Table of finance, land, and other stocks.

MINES

Table of mining stocks.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks.

RECENT ISSUES AND RIGHTS

Table of recent issues and rights.

Vertical advertisements on the right margin, including 'INEMA', 'dent', and 'Red Capital'.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates
Option
*First Declared Last Account Dealing Dates

Equities wilt again and FT index records two-day fall of 38.6

London equity markets wilted again yesterday. Further nervous offerings in the aftermath of NatWest's mammoth call

Investors found little comfort in the late overnight surge on Wall Street and a small mark up in blue chip industrial shares

There were a few signs of any substantial selling pressure, but with underlying sentiment still very sensitive, the tone gradually deteriorated.

Quarterly figures from two OIL majors, Royal Dutch/Shell and British Petroleum, failed to excite the market.

An early setback on Wall Street yesterday maintained the downward pressure on the leaders and the Financial Times Ordinary share index which posted a gain of 3.9 at the 10.00 am calculation ended the day with a fall of 17.4 at 13.02.6

Government securities remained under the influence of the US bond market. Long-dated Gilts opened around a point lower, but initial falls were soon reduced by an 1/8 to 1/16.

Bk Ireland fall
Acutely disappointing annual profits from Bank of Ireland

two-day decline of 105. Barclays lost 10 more to 502p as did Lloyds to 582p, while Midland softened a couple of pence to 583p.

Lloyds Broker Willis Faber, recently supported by hopes that Morgan Grenfell, the merchant bank in which it holds a near-25 per cent stake will soon get a public listing, closed 10 higher at 482p, after 47p, following late confirmation that an MG listing is in the pipeline.

The absence of investment interest left leading Breweries at the day's lowest. Bass dipped 13 to 755p, while Allied-Lyons fell 9 to 325p.

Leading Buildings followed the general trend, although one or two construction issues made progress on talk of forthcoming broker circulars.

Among the second-liners, Henderson Group continued to respond to a confident statement which accompanied the annual results and rose 7 to 225p, but Aberdeen Construction shed 8 to 252p upset by the provision for a further loss of 290,000 included in the preliminary figures.

ICI reflected a lack of support and touched 22 lower at 855p. Among other Chemicals, Anchor rose 10 to 235p in a restricted market, but Yorkshire Chemicals shed 5 to 130p.

Cecil Gee buoyant
Most retailing issues continued to give ground to subdued trading.

FINANCIAL TIMES STOCK INDICES

Table with columns: Index, May 15, May 14, May 13, May 12, May 11, May 10, Year ago. Rows include Government Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div. Yield, Earnings, P/E Ratio, Total Bargains, Equity turnover, Equity bargains, Shares traded.

HIGHS AND LOWS

Table with columns: Index, High, Low, Since Completion, INDICES, May 14, May 13. Rows include Govt. Secs, Fixed Int., Ordinary, Gold Mines.

S.E. ACTIVITY

Table with columns: Index, High, Low, Since Completion, INDICES, May 14, May 13. Rows include Govt. Secs, Fixed Int., Ordinary, Gold Mines.

Beatson Clark wanted

Quietly dull trading conditions prevailed among the miscellaneous industrial leaders.

Beatson Clark attracted speculative buying fuelled by takeover rumours and the close was 23 higher at 228p.

Good interim results and an optimistic statement prompted support for Radio Cycle which posted a 3 to 40p rise.

Secondary issues provided the significant movements in Properties. Speculative demand was forthcoming for Bares Estates which touched 15p prior to closing.

Proceedings among Textiles again centred on Ireland's Smeam Wexley which advanced 10p to 118p, after 125p, following a bid approach from John Crowther, unchanged at 132p.

Shell move ahead
Oils made a bright start to the session following first quarter results from Royal Dutch/Shell which were given a good reception.

Food manufacturing issues gave ground across the board. Tate and Lyle and Rowntree fell 8 pence to 562p and 492p respectively.

The latter touched 57p during the morning but fell away to close 10 cheaper on balance at 553p.

EQUITIES

Requires a further 7 to 77p. There was little respite for a generally depressed mining market.

The latest slide by Golds spilled over into South African Financials and Platinums.

UK issues were additionally weakened by another general retreat in domestic equities.

The threat of drastic cuts in public spending following the recent poor trade figures and subsequent rise in the Australian dollar gave a severe jolt to overnight Sydney and Melbourne markets.

Traded Options
Business in Traded Options was almost equally divided between calls and puts.

TRADITIONAL OPTIONS
First Last Last For Deal-Decl. Decl. Settling

Call options were taken out in Wace, Five Oaks, Stock Conversion, Davy, Pege, Greenwich Resources, Abaco Resources, Chloride, G. M. Frith, Sound Diffusion, Mincom, Pressac, Royal Insurance, Hotels, and Fobel.

RISES AND FALLS YESTERDAY
British Funds 3 30 20
Foreign Bonds 7 18 44
Industrials 256 378 888

RECENT ISSUES

Table with columns: Issue, Price, Date, High, Low, Change. Rows include various financial products.

FIXED INTEREST STOCKS

Table with columns: Issue, Price, Date, High, Low, Change. Rows include various fixed interest securities.

"RIGHTS" OFFERS

Table with columns: Issue, Price, Date, High, Low, Change. Rows include various rights offers.

NEW HIGHS AND LOWS FOR 1986

Table with columns: Issue, Price, Date, High, Low, Change. Rows include various new highs and lows.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Hours May 15 1986, Index, Day's Change, etc. Rows include various equity groups.

FIXED INTEREST

Table with columns: PRICE INDICES, This May 15, Day's change, etc. Rows include various fixed interest indices.

YESTERDAY'S ACTIVE STOCKS

Table with columns: Stock, Closing Price, Day's Change. Rows include various active stocks.

WEDNESDAY'S ACTIVE STOCKS

Table with columns: Stock, Closing Price, Day's Change. Rows include various active stocks.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol., Last, etc. Rows include various European options.

LONDON TRADED OPTIONS

Table with columns: Option, Calls, Puts, etc. Rows include various London traded options.

*Opening Index 1986: 10 am 1260.2; 11 am 1296.0; Noon 1299.0; 1 pm 1294.7; 2 pm 1278.7; 3 pm 1275.4; 4 pm 1276.4

May 15, Total contracts 15,797, Price £1.24. Page 7-36

سوق الأوراق المالية

WORLD STOCK MARKETS

Table of world stock markets including Austria, Germany, Norway, Australia, Japan, Canada, Hong Kong, Singapore, and various indices. Columns include country, date, price, and change.

Table of Canadian stock markets including Toronto and Montreal. Columns include stock name, price, and change.

Table of stock indices including New York Dow Jones, Standard and Poors, and various regional indices. Columns include index name, value, and change.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Table of over-the-counter stock prices from the Nasdaq national market. Columns include stock name, price, and change.

Table of New York Active Stocks showing Wednesday's trading activity. Columns include stock name, price, and change.

Table of Canada stock markets including Toronto and Montreal. Columns include stock name, price, and change.

Table of London stock markets showing chief price changes. Columns include stock name, price, and change.

Advertisement for Financial Times Europe's Business Newspaper, featuring a subscription offer and contact information for Madrid.

Advertisement for Financial Times Europe's Business Newspaper, featuring a subscription offer and contact information for Monaco.

Advertisement for Financial Times Europe's Business Newspaper, featuring a subscription offer and contact information for major business centers.

Prices at 3pm, May 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns for different sectors and individual stock listings with their respective prices and changes.

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for Stock, P, High, Low, and Change. Includes sub-sections like 'Continued From Page 40' and 'S S S S'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for Stock, P, High, Low, and Change. Includes sub-sections like 'A B B B', 'C C C C', 'D D D D', 'E E E E', 'F F F F', 'G G G G', 'H H H H', 'I I I I', 'J J J J', 'K K K K', 'L L L L', 'M M M M', 'N N N N', 'O O O O', 'P P P P', 'Q Q Q Q', 'R R R R', 'S S S S', 'T T T T', 'U U U U', 'V V V V', 'W W W W', 'X X X X', 'Y Y Y Y', 'Z Z Z Z'.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

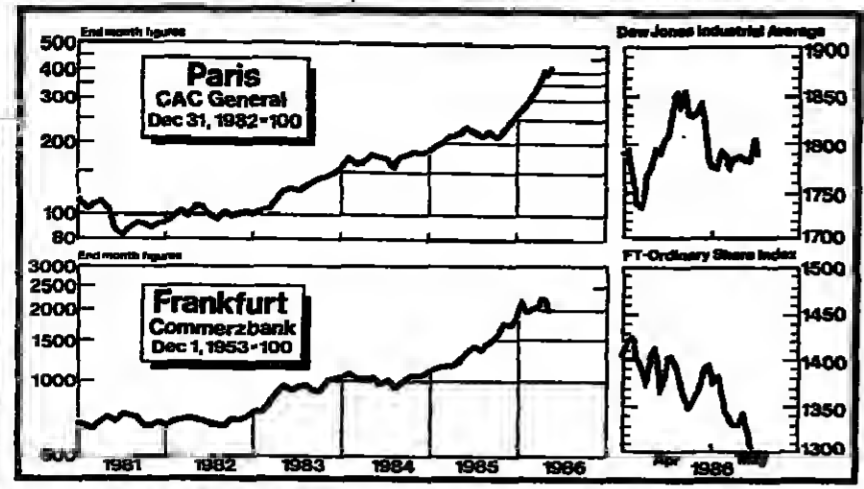
Table of Over-the-Counter prices with columns for Stock, Sales, High, Low, Last, and Change. Includes sub-sections like 'A B B B', 'C C C C', 'D D D D', 'E E E E', 'F F F F', 'G G G G', 'H H H H', 'I I I I', 'J J J J', 'K K K K', 'L L L L', 'M M M M', 'N N N N', 'O O O O', 'P P P P', 'Q Q Q Q', 'R R R R', 'S S S S', 'T T T T', 'U U U U', 'V V V V', 'W W W W', 'X X X X', 'Y Y Y Y', 'Z Z Z Z'.

Special Subscription HAND DELIVERY SERVICE of the FINANCIAL TIMES EUROPEAN BUSINESS NEWSPAPER in FRANCE. Includes a map of France and contact information for Ben Hughes.

FINANCIAL TIMES

WORLD STOCK MARKETS

MARKET MONITORS



STOCK MARKET INDICES

| Country | Index Name | May 15 | Previous | Year ago |
|----------|----------------|----------|----------|----------|
| NEW YORK | DJ Industrials | 1,737.70 | 1,828.28 | 1,273.52 |
| | FT-SE 100 | 1,575.7 | 1,594.3 | 1,342.4 |
| | FT-A All-share | 779.75 | 796.41 | 640.92 |
| | FT-A 500 | 854.58 | 882.33 | 702.68 |
| | FT Gold mines | 244.3 | 251.0 | 488.8 |
| LONDON | FT Ord | 1,302.8 | 1,320.0 | 1,012.5 |
| | Commerzbank | 1,822.4 | 1,822.4 | 1,320.0 |

CURRENCIES

| Currency | US DOLLAR | STERLING |
|-----------------|-----------|----------|
| (London) May 15 | 1.535 | 1.535 |
| DM | 2.185 | 3.375 |
| Yen | 163.5 | 251.25 |
| FFr | 7.01 | 5.9675 |
| SFr | 1.828 | 1.8175 |
| Quilder | 2.4785 | 2.45 |
| Lira | 1,507.0 | 1,497.5 |
| BPf | 44.8 | 44.75 |
| CS | 1.3755 | 1.3775 |

INTEREST RATES

| Maturity | Rate |
|--------------------|--------|
| 3-month US\$ | 7.0% |
| 6-month US\$ | 7.0% |
| US Fed Funds | 6.5% |
| US 3-month T-bills | 6.165% |

US BONDS

| Yield | Price |
|---------|--------|
| 8% 1998 | 99 3/8 |
| 7% 1996 | 97 1/8 |
| 7% 2016 | 97 |

WALL STREET

Profit-takers move in on blue chips

BLUE CHIPS swiftly went into reverse gear on Wall Street yesterday when profit-takers moved in on the sharp gains registered in the final hour of Wednesday's trading, writes Terry Byland in New York.

At 3pm the Dow Jones industrial average was down 20.95 at 1,737.33.

As the Dow 1,800 level slipped from the market's grasp once more, traders expressed some disappointment. Wednesday's gain was restricted to the few blue-chip issues affected by the stock futures market.

However, yesterday's economic news was good - the gain of 0.2 per cent in April industrial production statistics was unexpected - and there was no rush to sell blue chips.

Today is expiry day in the stock futures and share option markets, an experience which has proved unsettling in recent months. Traders are expected to delay major investment decisions until the futures and options settlement is completed.

IBM was sold down from the opening, losing \$1 1/4 to \$148 1/2. Among other stocks to react from Wednesday's gains were Merck, down 5/8 to \$186 1/2, Digital Equipment, down 3/8 to \$87 1/2, and General Motors, down 1/2 to \$57 1/2.

The rest of the technology sector took its cue from IBM. Weak features included Texas Instruments, down 1 1/4 to \$135, and Cray Research, 1 1/2 lower at \$80 1/2. Among the personal computer makers, Apple fell 1/2 to \$35 1/2 in a sharp selling bout.

Computer stocks were unsettled by the prospect of the Sperry/Burroughs merger which threatens to introduce a new and substantial competitor.

Sperry held steady at \$72 1/2. It said it would shortly commence its \$80-a-share equity buyback although the plan only becomes effective if Burroughs obtains 51 per cent acceptance from Sperry stockholders for its \$80-a-share offer.

The arbitrageurs, who hold substantial stakes in Sperry, expect the board's plan to force a slightly higher bid out of Burroughs. At 59 1/2 Burroughs eased 3/4.

Oils continued to move narrowly as crude oil futures held well above the \$15-a-barrel level for June delivery. Exxon shed 5/8 to \$58 1/2, and Atlantic Richfield held steady at \$55 1/2.

Airline stocks gave up a little of their recent gains. United at \$58 dipped 5/8 and American 5/4 to \$54 1/2. Pan Am at \$6 1/2 eased 5/8.

Indications that foreign exchange markets are turning more optimistic on the US dollar sent Pharmaceutical issues lower. Bristol-Myers shed 3/4 to \$76 1/2 and Abbott Laboratories lost 3/8 to \$25 1/2. Mylan Laboratories gained 1/4 to \$24 1/2 after receiving FDA approval for a new drug.

Chemicals, which also suffer from a stronger dollar making their product harder to sell overseas, were mixed. Monsanto added 1/2 to \$64 1/2, but Dow eased 3/4 to \$54 1/2.

In the new issue markets, the when-issued stock of Henley Group, a collection of 35 companies spun off by Allied-Signal, traded up to \$23.875 after the planned public offering was increased to \$1.5b, the largest US offer on record.

In the consumer stocks, Coca-Cola plummeted 3/4 to \$106 1/2 in moderate selling after a bearish review in the investment press - the Atlanta soft drinks manufacturer has been struggling to regain Wall Street esteem in the wake of the troubled introduction of New Coke - and the reintroduction of Classic Coke.

There was some activity in Quaker Oats, and old speculative favourite, but the stock settled off the top at \$70 1/2, a net 5/8 up.

J. C. Penney at \$78 1/2 added a further

EUROPE

Enthusiasm partially diluted

THE VIGOUR displayed on the European bourses on Wednesday was partially diluted yesterday as some centres experienced position adjustments by professional dealers ahead of the Whitsun holiday on Monday. Interest-rate movements, actual and hoped-for, also featured.

Frankfurt gave up ground early in the session, but the pace of the decline quickened as some investors began to fear for the stability of the market, according to brokers. The mid-session calculation of the Commerzbank index showed a 32.9 fall to 1,822.4.

Car makers were once again caught in the firing line, with Daimler DM 28.50 lower at DM 1,325 despite good first-quarter tractor sales. BMW took a proportionally more severe fall of DM 18 to DM 555 on modest fourth-month figures, and VW lost DM 12 to DM 558.

Degussa, the chemicals and precious metals refining group, led the chemical sector lower with its DM 13.50 decline to DM 450 while Schering finished DM 11.50 cheaper at DM 537. Bayer fell DM 8.20 to DM 290 despite record profits for its photographic unit Agfa-Gevaert.

Among the leading banks Deutsche showed the way with its DM 13.50 decline to DM 798.50 while Commerzbank lost DM 6.50 to DM 318. The sector was depressed by Bundesbank assertions that interest rates are unlikely to move lower as long as the D-Mark remains weak in the EMS.

Scantiment in the bond market was undermined by the Bundesbank remarks and the lower overnight close of US credit markets. Longs fluctuated widely with gains of up to 45 basis points and falls of 80 basis points. The central bank sold DM 12.9m of paper after Wednesday's huge DM 147.5m sales.

Brossels turned mixed amid uncertainty over the Government's ability to cut the country's large budget deficit. Today's scheduled one-day strike by public-sector employees also unsettled sentiment. The Belgian Stock Exchange index lost 6.94 to 3,635.09.

Bellwether Petrofina retreated BFr 10 to BFr 7,945 while Groupe Bruxelles Lambert held unchanged at BFr 3,430.

Utilities, ever sensitive to political developments, lost ground, and chemicals were soon to follow. Ebs surrendered BFr 40 to BFr 4,500, and Solvay fell BFr 50 to BFr 6,250.

Foreign support was noticeable for travel and tourism group Wagons-Lits, which picked up BFr 40 to BFr 8,020.

Zurich firmed as banks steadied. Union Bank, SFr 60 higher at SFr 5,660, was one of the few movers while in insurers Zurich Insurance lost SFr 75 to SFr 8,375.

Adia was buoyed by foreign demand and advanced SFr 275 to SFr 6,350 while Oerlikon-Bührle firmed SFr 10 to SFr 1,980 on results.

Paris was boosted by the relaxation of foreign exchange controls and the recent interest-rate cuts.

Radiotechnique was among the leaders with its FFf 64 gain to FFf 972, while Esso scored a 5 per cent gain to FFf 545. Schneider hit a high for the year of FFf 747 with its FFf 20 rise.

Isolated gains were achieved in Milan on technical book-squaring. Fiat added a further Li50 to Li4,900 after an early Li5,000. Among the insurers Generali gained Li,800 to Li47,500 while in banks Mediobanca retreated Li,500 to Li283,000.

Stockholm finished higher after an easier opening. Volvo featured strongly, buoyed by heavy interest for the transport group in the options market, and ended SKr 7 ahead at SKr 410. First-quarter results are due next week.

Elsewhere, Saab-Scania firmed SKr 40 to SKr 890, and Electrolux picked up SKr 3 to SKr 304.

TOKYO

Uncertainty over yen lingers

INVESTORS in Tokyo yesterday remained uncertain about the outlook for the yen, and share prices slipped for the fourth straight session, writes Shigeo Nishiwaki of Jiji Press.

Some chemicals and biotechnology-related issues performed well, but many domestic demand-oriented shares and blue chips were neglected. Some shares with hidden incentives plummeted.

The Nikkei average eased 19.06 to 15,924.69. It fluctuated narrowly, moving up 29 points at one stage and down 20 points at another. Volume was light at 484m shares, compared with Wednesday's 497m. Losers outstripped gainers by 458 to 383, with 144 issues unchanged.

Many investors were ready to buy domestic demand issues if the yen rose against the US dollar and blue chips if the yen fell. But the yen moved in so narrow a range of Y162 to Y164 to the dollar that they could not decide what stocks to buy. Their confusion was further intensified by a succession of suggestive statements by high-ranking US officials.

Because of the uncertain outlook for the yen, investors sought shares that had long been out of favour. They bought chemicals in the morning and biotechnology-related drugs in the afternoon. An analyst said these share purchases were intended to earn short-term gains, adding that the turnover on these issues was quick.

Among the chemicals favoured, Mitsui Petrochemical and Mitsubishi Chemical benefited from prospects of higher earnings due to the strong yen and cheaper oil. Attracting many institutional buyers, they gained Y45 to Y735 and Y9 to Y899, respectively.

Prominent among the biotechnology-related issues was Toyo Shodaka which drew strength from its development of mass production techniques for a human growth hormone. Topping the list of 10 most active stocks with 23.14m shares traded, the stock rose Y19 to Y427.

Leading domestic demand-oriented stocks moved narrowly. Among hidden-asset issues Mitsubishi Estate gained Y20 to Y1,800, and Mitsubishi Warehouse and Transportation lost Y30 to Y1,070. Tokyo Electric Power firmed Y10 to Y3,600 in thin trading. But Tokyo Hotel Chain advanced Y30 to Y1,020.

Many blue chips were out of favour although Hitachi added Y2 to Y890 and Oki Electric gained Y13 to Y896.

Bond prices fell sharply in response to a plunge in bond futures prices, with the yield on the bellwether 8.2 per cent government bond due in July 1995 soaring to 4.815 per cent from Wednesday's 4.775 per cent.

LONDON

THE MARKET continued to digest NatWest's cash call of Wednesday, and prices wilted afresh.

Quarterly figures from Shell, up 8p at 773p, and BP, 10p lower at 533p, failed to excite the market.

The FT Ordinary share index, which posted a gain of 3.9 by 10am, ended with a fall of 17.4 at 1,302.8 while the FT-SE 100 dipped 18.9 to 1,375.7.

A small rally in gilts proved short-lived, and long-dated issues finished with a fall of around 7/8.

Demand persisted for Chinese bonds on debt settlement hopes, with the 5 per cent 1992 improving 6 more to 64 1/2.

Chief price changes: Page 38; Details, Page 38; Share information service, Pages 38-37.

AUSTRALIA

BEARISH COMMENTS from the Australian Treasurer over the economy, a drop in the local currency and renewed fears of a rise in domestic interest rates combined to weigh on trading in Sydney yesterday.

Industrial issues led the decline while banks featured among the biggest losers of the day.

BHP was active after Mr Robert Holmes a Court's increased bid on Wednesday but lost 22 cents to A\$8.08. Bell Resources, the takeover vehicle, fell 35 cents to A\$4.20 while Bell Group, the parent company, gave up 40 cents to A\$8.50.

Westpac, which announced a lower-than-expected rise in profits for the half year, drifted 14 cents lower to A\$5.90.

HONG KONG

YESTERDAY marked the first day of trading in Cathay Pacific shares, but despite increased activity prices in Hong Kong fell sharply.

The Hang Seng index dropped 25.51 to 1,794.17, dipping below the 1,600 barrier for the first time since April 23.

One in every five Cathay Pacific shares changed hands, and it closed at HK\$5.15, close to where it began trading. But the hectic activity distracted investors from issues in other sectors.

In properties Cheung Kong fell 40 cents to HK\$21.60, Hongkong and Kowloon Wharf 15 cents to HK\$7.00, Hongkong Land 10 cents to HK\$6.25 and Sun Hung Kai Properties 20 cents to HK\$12.50.

SINGAPORE

DESPITE some profit-taking, Singapore remained steady to firm as blue chips enjoyed support from new investors - who are using money from the Central Provident Fund to purchase shares.

Banks and industrials were popular. DBS gained 5 cents to S\$3.55, OCB the same amount to S\$6.40 but UOB gave up 4 cents to S\$3.28.

Dah Yung, topping the busy list with 1.42m shares traded, added 21 cents to 42 cents. Also active, Keppel shipyards lost 5 cents to S\$1.04.

CANADA

THERE was little reaction in Toronto to the decision by most major banks to cut their prime rates. Advances only slightly outnumbered declines, and most sectors were little changed.

Bank of Montreal, the first bank to cut its prime rate, advanced C\$4 to C\$3.3%. Toronto-Dominion was unchanged at C\$2.7%, Royal Bank slipped C\$4 to C\$2.74 and Bank of Nova Scotia lost C\$4 to C\$2.14.

Montreal was also barely changed, Imasco gave up C\$4 to C\$36.

TOKYO

| | | | |
|----------|-----------|-----------|-----------|
| Nikkei | 15,924.69 | 15,943.75 | 12,358.00 |
| Tokyo SE | 1,255.43 | 1,257.80 | 967.87 |

AUSTRALIA

| | | | |
|----------------|---------|---------|-------|
| All Ord. | 1,194.4 | 1,222.4 | 895.2 |
| Metals & Mins. | 493.0 | 491.7 | 575.3 |

AUSTRIA

| | | | |
|---------------|--------|--------|-------|
| Credit Aktien | 123.73 | 124.40 | 93.81 |
|---------------|--------|--------|-------|

BELGIUM

| | | | |
|------------|----------|----------|----------|
| Belgian SE | 3,635.09 | 3,642.03 | 2,237.72 |
|------------|----------|----------|----------|

CANADA

| | | | | |
|-----------|---------------|----------|----------|----------|
| Toronto | Metals & Mins | 2,058.0 | 2,062.2 | 1,998.0 |
| Composite | 3,075.3 | 3,077.3 | 2,672.2 | |
| Montreal | Portfolio | 1,560.38 | 1,507.48 | 1,311.12 |

DENMARK

| | | | |
|----|-----|--------|--------|
| SE | n/a | 232.04 | 187.16 |
|----|-----|--------|--------|

FRANCE

| | | | |
|---------------|--------|--------|-------|
| CAC Gen | 411.3 | 408.1 | 221.8 |
| Ind. Tendance | 154.20 | 152.90 | 79.68 |

WEST GERMANY

| | | | |
|-------------|---------|---------|---------|
| FAZ-Aldien | 655.53 | 654.95 | 431.89 |
| Commerzbank | 1,986.2 | 2,019.1 | 1,262.9 |

HONG KONG

| | | | |
|-----------|----------|----------|----------|
| Hang Seng | 1,794.17 | 1,820.68 | 1,612.61 |
|-----------|----------|----------|----------|

ITALY

| | | | |
|------------|--------|--------|--------|
| Banca Com. | 841.84 | 841.92 | 314.24 |
|------------|--------|--------|--------|

NETHERLANDS

| | | | |
|-------------|-------|-------|-------|
| ANP-CBS Gen | 263.3 | 257.9 | 208.1 |
| ANP-CBS Ind | 251.8 | 246.5 | 171.6 |

NORWAY

| | | | |
|---------|--------|--------|--------|
| Oslo SE | 338.74 | 340.97 | 332.37 |
|---------|--------|--------|--------|

SINGAPORE

| | | | |
|---------------|--------|--------|--------|
| Straits Times | 598.22 | 598.98 | 814.42 |
|---------------|--------|--------|--------|

SOUTH AFRICA

| | | | |
|-----------------|---|---------|---------|
| JSE Golds | - | 1,171.7 | 1,066.9 |
| JSE Industrials | - | 1,170.2 | 933.0 |

SPAIN

| | | | |
|-----------|--------|--------|-------|
| Madrid SE | closed | 192.75 | 82.40 |
|-----------|--------|--------|-------|

SWEDEN

| | | | |
|-------|----------|----------|----------|
| J & P | 2,323.48 | 2,313.69 | 1,384.18 |
|-------|----------|----------|----------|

SWITZERLAND

| | | | |
|----------------|-------|-------|-------|
| Swiss Bank Ind | 574.2 | 576.5 | 429.8 |
|----------------|-------|-------|-------|

WORLD

| | | | |
|------------------|-------|-------|-------|
| MS Capital Int'l | 316.4 | 318.9 | 207.6 |
|------------------|-------|-------|-------|

COMMODITIES

| Commodity | May 15 | Prev | Year ago |
|----------------------|-----------|-----------|----------|
| Silver (spot fixing) | 328.35p | 330.65p | |
| Copper (cash) | £928.00 | £933.25 | |
| Coffee (May) | £1,958.00 | £1,977.50 | |
| Oil (Brent blend) | 514.20 | 514.10 | |

GOLD (per ounce)

| Location | May 15 | Prev | Year ago |
|-----------------|----------|----------|----------|
| London | \$342.25 | \$342.75 | |
| Zurich | \$342.06 | \$342.30 | |
| Paris (fixing) | \$342.59 | \$343.22 | |
| Luxembourg | \$342.20 | \$343.10 | |
| New York (June) | \$343.40 | \$343.10 | |



Aztec West is Bristol's big business-success-story. This unique and spectacularly impressive landscaped business park covers almost 125 acres, just half a mile distant from the M4/M5 interchange.

Aztec West has potential for over 2 million square feet of offices, warehouse and manufacturing units in an environment aimed at expansion of business opportunities. All units are for lease or purchase with options on

neighbouring plots for future growth.

The Aztec West 200 development is the latest in this spectacular project. Phase 1 offers up to 22,310 sq ft net of office space with full double glazing, suspended ceilings and integrated lighting. There are individual central heating systems and parking space for 117 cars. Phase 2 is in the planning stage and will offer similar facilities for all types of business endeavours.

Aztec West has limitless potential and promise, whatever you're looking for - and however spectacular your company's growth.

A Development by

ESN **LALONDE**

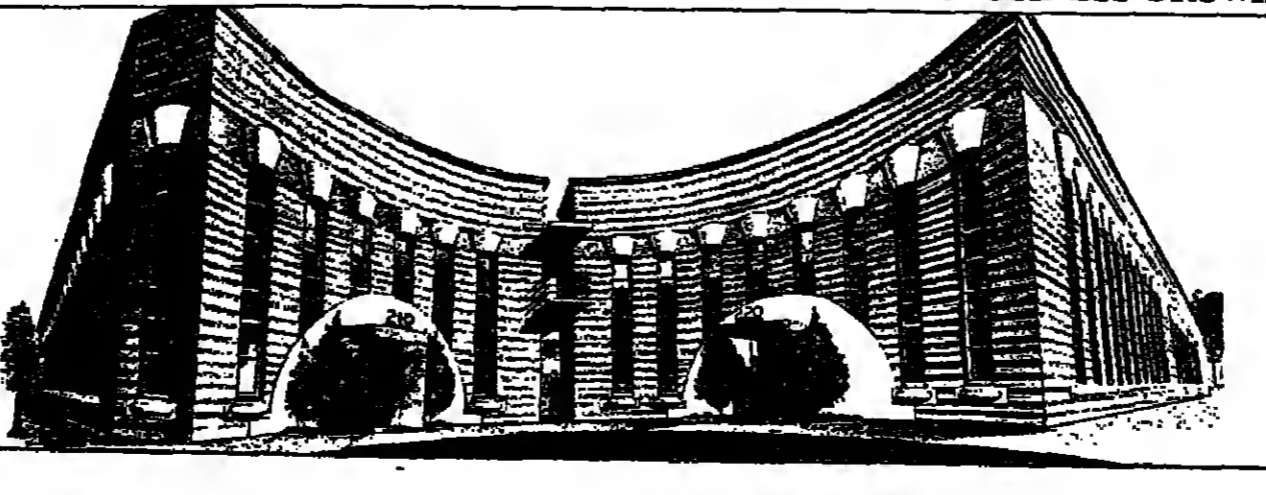
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Richard Ellis

Barrow Square House, London WC6A 3AT. Telephone 01-629 0200. Fax 226 498

Spectacular Growth.

AZTEC WEST WHERE YOU CAN SEE THE BEAUTY OF YOUR BUSINESS GROWING.



Handwritten text: "السيد محمد..."